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RESOLUTION NO. RA_____

**RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF MILPITAS
APPROVING THE PRELIMINARY REPORT ON THE PROPOSED MERGER OF
REDEVELOPMENT PROJECT AREA NO. 1 AND THE GREAT MALL PROJECT
AREA; AUTHORIZING TRANSMITTAL OF THE REPORT TO AFFECTED TAXING
ENTITIES; APPROVING PROPOSED REDEVELOPMENT PLAN AMENDMENTS TO
THE REDEVELOPMENT PLANS FOR PROJECT AREA NO. 1 AND THE GREAT
MALL PROJECT AREA, AND AUTHORIZING TRANSMITTAL OF THE PROPOSED
PLAN AMENDMENTS TO THE PLANNING COMMISSION**

WHEREAS, the City Council originally approved and adopted the Redevelopment Plan for the Milpitas Redevelopment Project Area No. 1 ("Project Area No. 1") by Ordinance No. 192 on September 21, 1976 (as subsequently amended, hereafter the "Project Area No. 1 Plan"); and

WHEREAS, the City Council originally approved and adopted the Redevelopment Plan for the Great Mall Redevelopment Project Area (the "Great Mall Project Area") by Ordinance No. 192.8 adopted on November 2, 1993 (as subsequently amended, hereafter the "Great Mall Plan"); and

WHEREAS, pursuant to Health and Safety Code Section 33344.5, Milpitas Redevelopment Agency ("Agency") staff and consultants have prepared a Preliminary Report (the "Preliminary Report") which describes and analyzes economic conditions in Project Area No. 1 and the Great Mall Project Area, the financial resources and projected revenue available to carry out redevelopment activities in the project areas, and the proposed merger of the project areas and amendment of the redevelopment plans; and

WHEREAS, Agency staff and consultants have prepared proposed plan amendments that would effectuate a merger of Project Area No. 1 and the Great Mall Project Area (the "Plan Amendments"); and

WHEREAS, pursuant to Health and Safety Code Section 33346, the Agency is required to transmit the proposed Plan Amendments to the Planning Commission for review of consistency with the General Plan; and

WHEREAS, pursuant to Health and Safety Code Section 33344.5, the Agency is required to transmit the Preliminary Report and the proposed Plan Amendments to affected taxing entities.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Milpitas as follows:

Section 1. The Agency approves the Preliminary Report in the form on file with the City Clerk and authorizes transmittal of the Preliminary Report to affected taxing entities.

Section 2. The Agency approves the proposed Plan Amendments in the form on file with the City Clerk and authorizes transmittal of the proposed Plan Amendments to affected taxing entities and the Planning Commission.

PASSED AND ADOPTED this ____ day of _____, 2006, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, Agency Secretary

Jose S. Esteves, Chairperson

APPROVED AS TO FORM:

Steven T. Mattas, Agency Counsel

RESOLUTION NO. ____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS
DETERMINING THAT A PROJECT AREA COMMITTEE IS NOT REQUIRED
TO BE ESTABLISHED IN CONNECTION WITH THE MERGER OF MILPITAS
REDEVELOPMENT PROJECT AREA NO. 1 AND THE GREAT MALL
REDEVELOPMENT PROJECT AREA**

WHEREAS, the City Council originally approved and adopted the Redevelopment Plan for the Milpitas Redevelopment Project Area No. 1 ("**Project Area No. 1**") by Ordinance No. 192 on September 21, 1976 (as subsequently amended, hereafter the "**Project Area No. 1 Plan**");

WHEREAS, the City Council originally approved and adopted the Redevelopment Plan for the Great Mall Redevelopment Project Area (the "**Great Mall Project Area**") by Ordinance No. 192.8 adopted on November 2, 1993 (as subsequently amended, hereafter the "**Great Mall Plan**");

WHEREAS, Milpitas Redevelopment Agency ("**Agency**") staff and consultants have prepared proposed plan amendments that would effectuate a merger of Project Area No. 1 and the Great Mall Project Area;

WHEREAS, Health and Safety Code Section 33385 requires the formation of a Project Area Committee whenever either (i) a substantial number of low- or moderate-income persons reside within a redevelopment project area and the redevelopment plan will authorize use of eminent domain for the acquisition of property on which persons reside, or (ii) the redevelopment plan contains one or more public projects that will displace a substantial number of low- or moderate-income persons;

WHEREAS, Health and Safety Code Section 33385.3 provides that if a Project Area Committee does not exist, and the agency proposes to amend a redevelopment plan, the agency is required to establish a Project Area Committee if the proposed amendment would either (i) grant the agency authority to acquire by eminent domain property on which persons reside in a project area in which a substantial number of low- and moderate-income persons reside, or (ii) add territory in which a substantial number of low- and moderate-income persons reside and provide the agency with authority to acquire by eminent domain property on which persons reside in the added territory; and

WHEREAS, the proposed amendments do not affect the Agency's or the City's authority to use eminent domain to acquire property, do not provide for public projects that will displace a substantial number of low- and moderate-income persons, and do not add territory to the project areas.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Milpitas as follows

Section 1. The City Council finds that the formation of a Project Area Committee is not required because the proposed amendments do not affect the Agency's or the City's authority to use eminent domain, do not propose public projects that will cause displacement of a substantial number of low- and moderate-income households, and do not add territory to the project areas.

Section 2. The City Council directs the Agency through its staff and consultants to meet with residents, civic and business organizations, as appropriate to discuss the proposed amendments and to receive public comment from residents and members of those organizations.

PASSED AND ADOPTED this _____ day of _____
2006, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Jose S. Esteves, Mayor

APPROVED AS TO FORM:

Steven T. Mattas, City Attorney

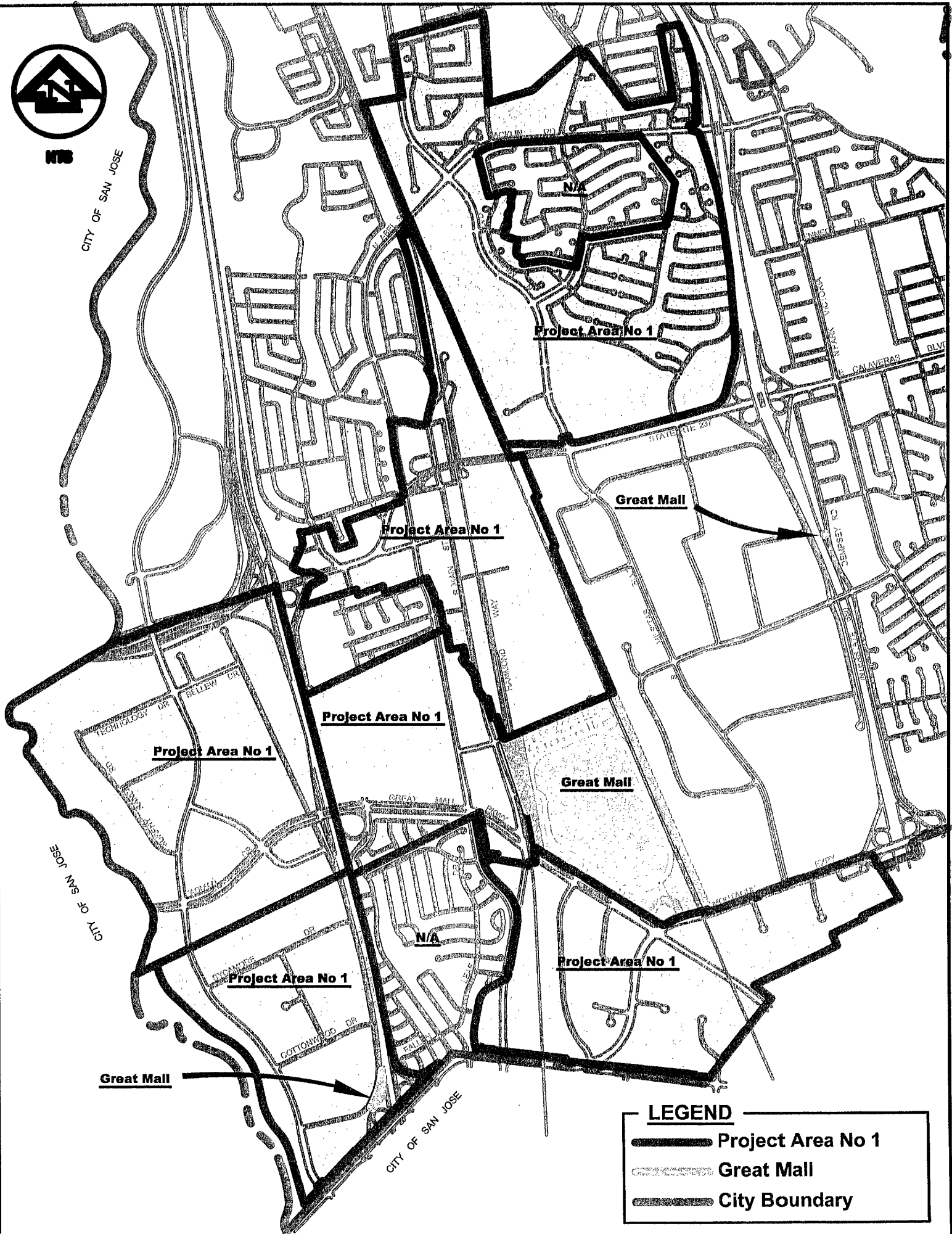
EXHIBIT A

Map of Redevelopment Project Areas



33

CITY OF SAN JOSE



LEGEND

- Project Area No 1
- Great Mall
- City Boundary

EXHIBIT B

Preliminary Report for the Merger of the Milpitas Redevelopment Project Area No. 1 and the Great Mall Redevelopment Project Area

August 1, 2006

**PRELIMINARY REPORT
FOR THE MERGER
OF THE
MILPITAS REDEVELOPMENT PROJECT AREA NO. 1
AND THE
GREAT MALL REDEVELOPMENT PROJECT**

Prepared for:

**THE REDEVELOPMENT AGENCY
OF THE
CITY OF MILPITAS**

Prepared by:

Keyser Marston Associates, Inc.

JULY 2006

**PRELIMINARY REPORT
FOR THE MERGER
OF THE
MILPITAS REDEVELOPMENT PROJECT AREA NO. 1
AND THE
GREAT MALL REDEVELOPMENT PROJECT**

Prepared for:

**THE REDEVELOPMENT AGENCY
OF THE
CITY OF MILPITAS**

JULY 2006

Prepared by:

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TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	PRELIMINARY REPORT PURPOSE AND CONTENTS	1
B.	BACKGROUND.....	3
C.	GOALS AND OBJECTIVES	7
D.	AGENCY ACCOMPLISHMENTS	11
II.	REASONS FOR AMENDING THE REDEVELOPMENT PLANS.....	14
A.	BACKGROUND AND PURPOSE.....	14
B.	NEED FOR INCREASED ECONOMIC VIABILITY	16
1.	<i>Great Mall.....</i>	<i>16</i>
2.	<i>Other Commercial</i>	<i>17</i>
III.	PROPOSED PROJECTS AND PROGRAMS	20
A.	REDEVELOPMENT PROGRAMS	21
1.	<i>Transportation and Public Infrastructure Improvements.....</i>	<i>21</i>
2.	<i>Community Facilities Improvements</i>	<i>22</i>
3.	<i>Economic Stimulation</i>	<i>23</i>
4.	<i>Housing Program.....</i>	<i>23</i>
a.	<i>Production.....</i>	<i>23</i>
b.	<i>Preservation.....</i>	<i>24</i>
c.	<i>Affordability Assistance</i>	<i>24</i>
IV.	PRELIMINARY ASSESSMENT OF PROPOSED METHOD OF FINANCING, ECONOMIC FEASIBILITY, AND REASONS FOR INCLUDING DIVISION OF TAXES PURSUANT TO SECTION 33670	26
A.	ESTIMATED TOTAL PROJECT COSTS.....	26
1.	<i>Bond Debt Service.....</i>	<i>27</i>
2.	<i>Existing Obligations – Land Purchases from the City and County.....</i>	<i>27</i>
3.	<i>Operating Costs</i>	<i>28</i>
4.	<i>Future Projects and Programs.....</i>	<i>28</i>
B.	FINANCING METHODS AVAILABLE TO THE AGENCY	29
1.	<i>Net Tax Increment Revenues and Housing Set Aside</i>	<i>30</i>
2.	<i>Proceeds from Bonds.....</i>	<i>31</i>
3.	<i>Interest Income.....</i>	<i>31</i>
4.	<i>Initial Fund Balance.....</i>	<i>32</i>
C.	PROPOSED FINANCING METHOD, ECONOMIC FEASIBILITY, AND REASONS FOR INCLUDING TAX INCREMENT FINANCING	32

LIST OF FIGURES

FIGURE 1: MILPITAS REDEVELOPMENT PROJECT AREAS.....	4
FIGURE 2: POTENTIAL LOCATION OF HIGHWAY SIGNS.....	15

LIST OF TABLES

TABLE 1: ORGANIZATION OF THE PRELIMINARY REPORT	2
TABLE 2: TIME AND FINANCIAL LIMITS	5
TABLE 3: FEASIBILITY CASH FLOW.....	33
TABLE 4: TAX INCREMENT REVENUE PROJECTION SUMMARY.....	35
TABLE 5: TAX INCREMENT REVENUE PROJECTION – MIDTOWN.....	36
TABLE 6: TAX INCREMENT REVENUE PROJECTION – ORIGINAL AREA.....	38
TABLE 7: TAX INCREMENT REVENUE PROJECTION – AMENDMENT NO. 1.....	39
TABLE 8: TAX INCREMENT REVENUE PROJECTION – AMENDMENT NO. 2.....	40
TABLE 9: VALUE ADDED.....	41

PRELIMINARY REPORT
FOR THE
MERGER OF THE
MILPITAS REDEVELOPMENT PROJECT AREA NO. 1
AND THE
GREAT MALL REDEVELOPMENT PROJECT

I. INTRODUCTION

A. PRELIMINARY REPORT PURPOSE AND CONTENTS

This Preliminary Report ("Report") for the proposed adoption of the merger amendments ("Amendments" or "Merger") to the existing Redevelopment Plans ("Redevelopment Plans" or "Plans") for the Great Mall Redevelopment Project and the Milpitas Redevelopment Project Area No. 1 ("Project Areas" or "Projects") has been prepared by the Redevelopment Agency of the City of Milpitas ("Agency") to fulfill the requirements of Sections 33344.5, 33354.6, 33457.1 and 33486 of the Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*, the "CRL"). As discussed in the following section, the purpose of the proposed Amendments is to merge the Project Areas ("Merged Project Area") to revitalize the Project Areas through increased economic vitality of such areas and through increased and improved housing opportunities in or near such areas. The proposed Merger will help accomplish these objectives by, among other activities, enabling the installation along highway corridors of monument and digital message board signs in order to facilitate and increase the economic viability of the Great Mall Shopping Center, that will advertise public events and private businesses within the two Project Areas and other businesses in the Merged Project Area.

Section 33354.6(a) of the CRL requires that when an agency proposes to amend a redevelopment project that utilizes tax increment to add territory to a project area; to increase either the limitation on the number of dollars (tax increment limit) to be allocated to the redevelopment agency or the time limit on establishing loans, advances, and indebtedness (debt establishment); to lengthen the period during which the Plan is effective (plan effectiveness); *to merge projects*, or to add significant additional capital improvement projects; an agency shall follow the same procedures it would for the adoption of a plan. Section 33486 of the CRL provides a merger may proceed by amendment of each redevelopment plan as provided in Article 12 (commencing with CRL Section 33450). Section 33457.1 of the CRL provides that "[t]o the extent warranted by a proposed amendment to a redevelopment plan, (1) the ordinance adopting an amendment to the redevelopment plan shall contain the findings required by Section 33367..., and (2) the reports and information required by Section 33352 shall be prepared and made available to the public prior to hearing on such amendment. Therefore, because the Agency is proposing to merge projects, which is a technical

amendment, the Agency will follow applicable provisions, to the extent warranted, of CRL Sections 33320.1, *et seq.* and 33450, *et seq.* Pursuant to Section 33457.1 of the CRL, the Merger of the Projects does not and will not require re-establishing blight or demonstrating that significant blight remains within the Project Areas.

As part of the process of amending the Plans, the CRL requires that specific information be provided to taxing agencies and officials ("affected taxing entities") prior to adoption of the proposed Amendments. Such information includes, the Preliminary Report required by Section 33344.5, with discussion and sections included to the extent warranted by Section 33457.1. As outlined in Table 1 below, this Report includes the reasons for amending the Redevelopment Plans, an overview of existing conditions within the Project Areas, and a preliminary assessment of the financial feasibility of merging the Project Areas. The proposed Merger and Amendments do not add territory to the Project Areas and do not alter the fiscal limits for the constituent redevelopment plans. Therefore, this Report does not address in detail existing conditions of physical and economic blight in the Project Areas.

Table 1: Organization of the Preliminary Report

CRL SECTION NO.	SUBDIVISION	REPORT SECTION
33344.5(a)	The reasons for the Amendments to merge the Project Areas.	II
33344.5(b)	A description of the physical and economic conditions existing in the Merged Project Area. (Documented in connection with Plan adoptions and amendments adding territory)	II
33344.5(c)	A description of the Merged Project Area which is sufficiently detailed for a determination as to whether the Merged Project Area is predominantly urbanized. (Documented in connection with Plan adoptions and amendments adding territory)	N/A
33344.5(d)	A preliminary assessment of the proposed method of financing the redevelopment of the Merged Project Area, including an assessment of the continued economic feasibility of the Projects after the Merger and the reasons for the continued provision for the division of taxes pursuant to CRL Section 33670 in the Redevelopment Plans.	IV
33344.5(e)	A description of the on-going specific programs and projects proposed by the Agency.	III
33344.5(f) 33354.6(b)	A description of how the Projects to be pursued by the Agency in the Merged Project Area will improve or alleviate blight and the relationship between the proposed Merger and the costs of the Projects to eliminate remaining blight.	II, III

B. BACKGROUND

The Agency is in charge of implementing redevelopment within the City of Milpitas. As previously stated, the Agency is proposing to merge the City's two existing redevelopment project areas. In total, the proposed Merged Project Area will contain approximately 2,381 acres, which comprises approximately 27 percent of the total acres located in the City.

Figure 1 shows the boundaries of the Project Areas, which are located primarily along major commercial corridors including the original downtown area, the Great Mall Shopping Center, and the City's industrial area. Table 2 provides a summary of each of the Project Areas (including added areas) current time and financial limits as described in the Redevelopment Plans, as amended. The following is an overview of the Redevelopment Projects:

Milpitas Redevelopment Project Area No. 1

The Milpitas Redevelopment Project Area No. 1 ("Project No. 1") contains approximately 2,230 acres or 94 percent of the proposed Merged Project Area. The original Redevelopment Plan for Project No. 1 was adopted by the City Council by Ordinance No. 192 on September 21, 1976, and consisted of approximately 577 acres located in the central portion of the City ("Original Project Area"). Since the original adoption of Project No. 1, the Redevelopment Plans has been amended nine (9) times.

The first amendment adopted September 4, 1979, by Ordinance No. 192.1 added approximately 483 acres to the Original Project Area. The second amendment adopted May 4, 1982, by Ordinance No. 192.2 added approximately 479 acres to the Original Project Area. The third amendment, adopted on November 27, 1984, by Ordinance No. 192.3, made technical text changes and increased the tax increment limit. The fourth amendment, adopted on December 9, 1986, by Ordinance No. 192.4, amended the Agency's tax increment limit.

The fifth amendment, adopted on April 16, 1991, by Ordinance No. 192.6A, amended the low income housing set-aside to include bond proceeds and restated and reorganized the provisions of the low income housing set-aside. The sixth amendment, adopted on December 9, 1994, by Ordinance No. 192.9, amended the time limits in accordance with Assembly Bill 1290. The seventh amendment, adopted on October 15, 1996, by Ordinance No. 192.11, increased the tax increment limit, increased the bond debt limit, and extended the debt establishment time limit. The eighth amendment, adopted June 17, 2003, by Ordinance No. 192.14, included the following: 1) added area (691 acres) to the Original Project Area (known as the "Midtown" area); 2) increased the tax increment limit; 3) increased the bonded indebtedness limit; 4) established eminent

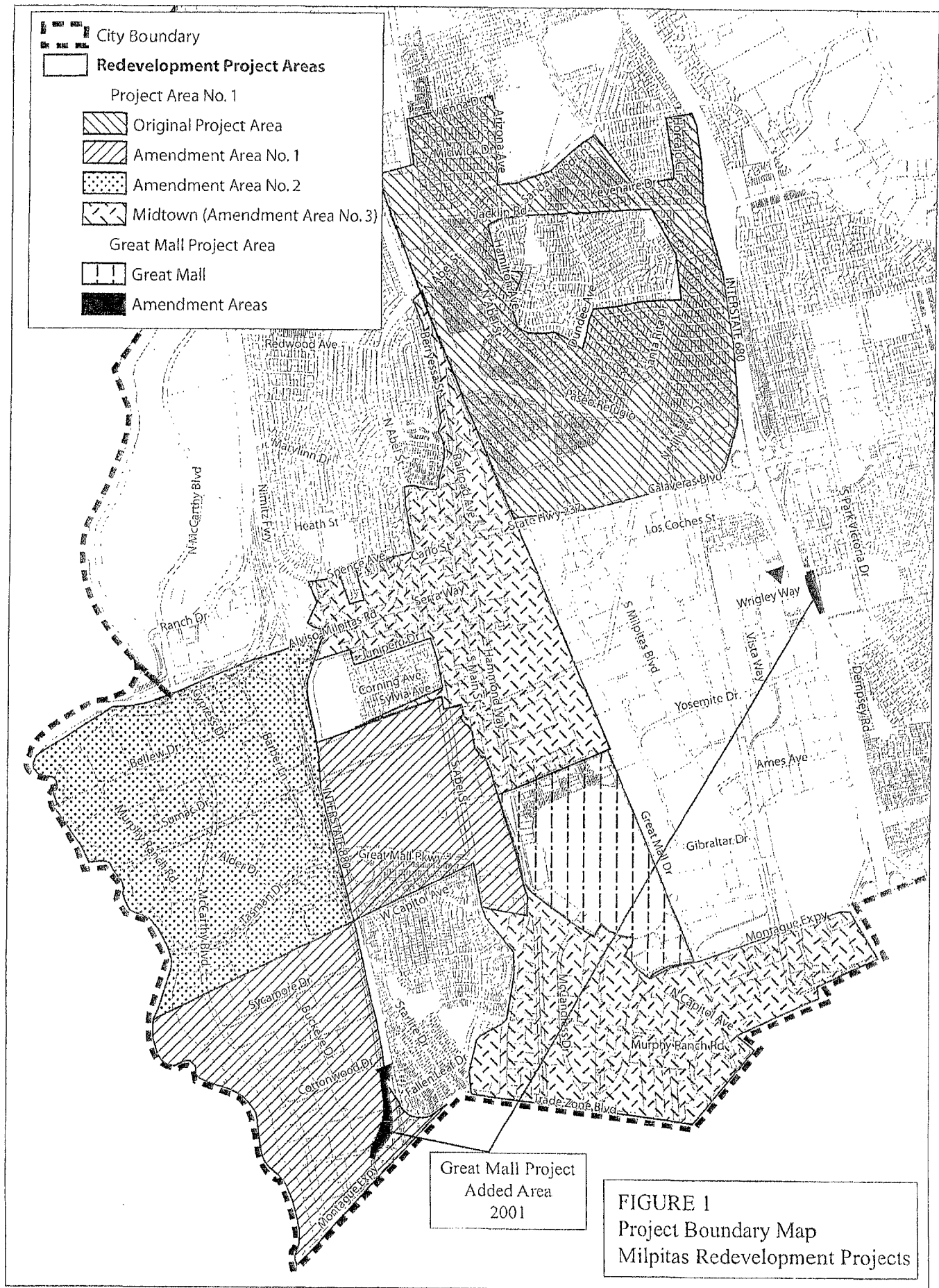


TABLE 2

TIME AND FINANCIAL LIMITS

Milpitas Redevelopment Project Area No. 1 and the Great Mall Redevelopment Project

COMMUNITY REDEVELOPMENT LAW REQUIREMENTS

PROJECT ADOPTION DATE	DEBT ESTABLISHMENT	PLAN EFFECTIVENESS	DEBT REPAYMENT (RECEIPT OF T.I.)	TAX INCREMENT	BOND DEBT	EMINENT DOMAIN
Pre -1994	20 years from adoption or 1/1/04 whichever is later plus 10 year extension with significant remaining blight	40 years from adoption or 1/1/09 whichever is later + 1 year extension for ERAF in FY 2003-04 (SB1045) + two additional years extension for ERAF for FY 2004-06 (SB 1096) ¹	10 years after Plan effectiveness + 1 year extension for ERAF (SB1045) + two additional years extension for ERAF for FY 2004-06 (SB1096) ¹	Limit required no maximum	Limit required no maximum	12 years maximum
LIMITS ESTABLISHED BY MILPITAS REDEVELOPMENT PROJECT AREA NO. 1 AND THE GREAT MALL REDEVELOPMENT PROJECT						
Project Area No. 1 577 Acres Adopted 9/21/76 Ordinance No. 192	1/1/14	9/21/19 (includes proposed ERAF extensions)	9/21/29 (includes proposed ERAF extensions)	The total tax increment limit for the entire Project Area No. 1 is \$2.4 billion	The total bonded indebtedness limit for the entire Project Area No. 1 is \$498 million	Expired
Amended 9/4/79 Amend. Area No. 1 Add 483 Acres Ordinance No. 192.1	1/1/14	9/4/22 (includes proposed ERAF extensions)	9/4/32 (includes proposed ERAF extensions)			Expired
Amended 5/4/82 Amend. Area No. 2 Added 479 Acres Ordinance No. 192.2	1/1/14	5/4/25 (includes proposed ERAF extensions)	5/4/35 (includes proposed ERAF extensions)			Expired
Amended 6/17/03 Midtown Area Added 691 Acres Ordinance No. 192.14	20 years 6/17/23	6/17/34 (Post 1994 – 30 years from adoption; includes SB 1045; not eligible for SB 1096)	6/17/49 (Post 1994 – 15 years for effectiveness; includes SB 1045; not eligible for SB 1096)			6/17/15
Great Mall Project 151 Acres Adopted 11/2/93 Amended 10/16/01 Ordinance No. 192.13	Not Applicable (project area does not receive tax increment)	11/2/10 (15 year project; includes proposed ERAF extensions)	Not Applicable (project area does not receive tax increment)	Not Applicable (project area does not receive tax increment)	Not Applicable (project area does not receive tax increment)	Not Applicable

Keyser Marston Associates Inc., July 2006

¹ Per SB 1096, redevelopment plans with ten years or less of effectiveness remaining can be extended one year for each year an ERAF payment is made (total of two years, FY 04-05 and 05-06; this is in addition to the year (FY 03-04) extended previously by SB 1045); plans with 10 to 20 years remaining can also be extended one additional year for each year an ERAF payment is made only if the legislative body finds the agency is in compliance with major housing requirements; and, plans with more than 20 years or more remaining cannot be extended. The Great Mall Project has less than 10 years of plan effectiveness remaining and Project Area No. 1 (including the 1979 Amendment Area No. 1 and 1982 Amendment Area No. 2) will have between 12-18 years remaining after the FY 04-05 and 05-06 ERAF payments and therefore are eligible for the SB 1096 extensions for a total of two years. The Midtown Area adopted in 2003 is not eligible for the SB 1096 extension. The Agency anticipates adopting an ordinance for the SB 1096 amendment prior to the adoption of the proposed Merger.

domain in the 691-acre added area for non-residential land uses; and 5) revised and updated various text provisions to conform to the requirements of the CRL. The ninth amendment, adopted on October 7, 2003, by Ordinance No. 192.15, extended the time limits on plan effectiveness/receipt of tax increment by one year for the Original Project Area and the added areas as allowed by SB 1045 in response to the Agency's payments to the Educational Revenue Augmentation Fund (ERAF). The Agency is allowed to further extend the time limits on plan effectiveness/receipt of tax increment by two years for the Original Project Area and only the added areas adopted in 1979 and 1982 as allowed by SB 1096 in response to the Agency's ERAF payments made in fiscal years 2004-05 and 2005-06. Although the Agency has not adopted this SB 1096 amendment by ordinance as of the preparation of this Report, it is anticipated that the Agency will adopt the SB 1096 amendment ordinance prior to the adoption of the proposed Merger. Therefore, for clarification purposes, the SB 1096 amendment ordinance will be referred to as the tenth amendment to the Redevelopment Plans while the proposed Merger will be referred to as the eleventh amendment to the Redevelopment Plans.

Great Mall Redevelopment Project

The Great Mall Redevelopment Project ("Great Mall Project") was adopted by the City Council in 1993 and consists of 150 acres. The Great Mall Project has been amended twice. The first amendment, adopted on December 6, 1994, by Ordinance No. 192.10, brought the Project Area into conformity with the CRL as amended by Assembly Bill 1290. The second amendment, adopted on October 16, 2001, by Ordinance No. 192.13, added 0.89 acres in two separate properties (located along Interstate 880 & Montague Expressway containing 0.75 acres and along Interstate 680 south of Calaveras Boulevard containing less than 0.02 acres) for the placement and maintenance of freeway signs for the Great Mall of the Bay Area. Similar to Project No. 1, the Agency is allowed to extend the time limits on plan effectiveness/receipt of tax increment by two years for the Great Mall Project as allowed by SB 1096 in response to the Agency's ERAF payments made in fiscal years 2004-05 and 2005-06. Therefore, the Agency will adopt this third amendment (SB 1096 amendment) prior to the adoption of the proposed Merger, and the proposed Merger for clarification purposes will be referred to as the fourth amendment to the Great Mall Project.

The purpose of the Great Mall Project was for the rehabilitation, renovation and development of the existing improvements to develop the 1,200,000 square foot Great Mall Shopping Center. The Agency assisted in the construction of necessary public infrastructure improvements to support this retail land use. Although the Agency does not receive tax increment revenue from the Great Mall Project, the City receives sales tax revenues from the Great Mall Project. Under an Owner Participation Agreement with Ford Land Development, the developer of the Great Mall, the City shares one-half of the sales tax revenues generated by sales at the Great Mall to reimburse Ford for the \$8.5

million in public improvements that benefit the Milpitas community. After Ford sold the Great Mall to the Swerdlow Group, in May 2000, the City issued the Great Mall of the Bay Area Sales Tax Revenue Bonds at a more favorable interest rate to pay off the developer.

C. GOALS AND OBJECTIVES

The Redevelopment Plans for the Great Mall Redevelopment Project and Milpitas Redevelopment Project Area No. 1 outline various Redevelopment Plan goals and objectives for each of the Project Areas. These goals and objectives are listed below with a notation of which goals and objectives will be furthered by the proposed Merger:

Goals and Objectives

Milpitas Redevelopment Project Area No. 1

Transportation:

1. Develop a transportation system integrated with the pattern of living, working and shopping areas to provide safe, convenient and efficient movement within the City to other parts of the region by whatever means of transit available. *[The proposed signs will help to direct and effectively move traffic thereby furthering this goal]*
2. Direct special consideration toward the circulation needs of a modern, convenient central business district, including adequate off-street parking. *[The proposed signs will include advertisement for businesses in the Central Business District and will include way finding signs which will help to attain this goal]*
3. Promote a traffic pattern to encourage industry and further the potential of industrial land.
4. Prevent the dispersal of employment and activities in the community over a larger area causing dependence on greater travel and inconvenience to the citizens of the City of Milpitas and the persons employed by industries within the Project Area.

Utilities and Public Infrastructure:

1. Promote community facilities and utilities commensurate with the anticipated needs of Milpitas, as well as any special needs of the region.

2. Eliminate and prevent the spread of blighting influences including vacant and under-utilized land and deteriorating buildings, inadequate transportation, sewer, water and drainage, and other physical and economic and environmental deficiencies.
3. Provide the framework and infrastructure for restoring economic health to the Project Area.

Open Space:

1. Develop adequate civic, recreational, and cultural centers in locations for the best service to the community and in ways that will promote community beauty and growth. *[The proposed Merger will allow the opportunity for public advertising on the signs]*
2. Preserve and enhance natural areas, which act in providing for clean air, water, and an unspoiled environment.
3. Acquire and maintain open space sufficient to provide for parks and recreation system.
4. Prevent the unnecessary or premature conversion of open space lands to urban uses that would be considered potentially hazardous for customary urban development.

Commercial Rehabilitation:

1. Stimulate commercial and industrial development and the creation of employment opportunities. *[It is the objective that the signage will increase the desirability of the area to conduct business, thereby contributing to the attainment of this goal]*
2. Encourage economic pursuits to strengthen and promote development through stability and balance. *[The proposed Merger will meet this goal by attracting more business to the Project Areas]*
3. Replan, redesign, rehabilitate and redevelop areas that are stagnant or improperly utilized. *[The placement of signs will draw attention to areas that are no longer visible resulting from changes in development patterns particularly the development and increasing dependency on Interstate 680 and 880, and Highway 237]*

4. Provide opportunities for participation by owners in the revitalization of their properties. *[Private businesses located in the Project Areas will initially fund sign construction with the intent of establishing a signage district in which owners utilizing the signs would pay a portion of the cost of sign maintenance. Through this partnership, existing businesses will contribute to their revitalization]*
5. Publicize the position of Milpitas as a place to carry on compatible industrial and reliable commercial activity, with special emphasis directed toward the advantages of the City's location to both industrial and commercial use. *[The proposed Merger and resulting sign construction will directly contribute toward attaining this goal through advertising businesses and services in the proposed Merged Project Area]*

Affordable Housing:

1. Provide a variety of residential types to serve the varying needs of individuals and families while retaining existing structural standards. *[By increasing the desirability of the area, it is intended that a greater variety of uses will be attracted to the downtown core which in turn will increase the desirability of the area as a housing location including affordable housing]*

In addition to the goals and objectives listed above, additional goals and objectives were created and are related to the approximately 691 acres that was added to the Original Project Area as part of the eighth amendment. These additional goals and objectives are derived from the goals outlined in the Milpitas Midtown Specific Plan, which has a similar boundary to the 691-acre added area and are as follows:

Goals and Objectives:

Land Use:

1. Encourage a compatible mixture of residential, retail, office, service-oriented commercial, public facilities and industrial uses.
2. Provide for a significant component of new housing within the area in order to: improve the vitality of the area, address local and regional housing needs, and reinforce the use of transit. *[As described above, the signs will indirectly contribute to this goal by attracting business and people to the core of the City which will improve the vitality of the area]*

3. Promote an intensity of development in the area that is appropriate to its central location.
4. Provide for a land use mix that supports major transit facilities.
5. Provide for the mitigation and the productive reuse of Brownfields.

Community Design:

1. Create an attractive district that is uniquely "Milpitas." *[This goal will be furthered by the addition of way finding signs]*
2. Establish a pedestrian-oriented, mixed-use district that is focused along Main Street.
3. Provide urban open spaces (i.e., plazas, squares) that serve multiple purposes and can be used for special events.
4. Improve the character of streets and public views.

Circulation:

1. Improve the viability of the pedestrian, bicycle and transit systems. *[This goal will be furthered by the signs directing traffic from all transportation modes]*
2. Balance the need for traffic with livability and a pedestrian focus.
3. The development of mass transportation facilities.

Implementation:

1. Identify "catalyst" development sites.
2. Identify financial resources to create a plan that is economically self-sufficient.
3. Establish the regulatory mechanisms necessary to implement the Milpitas Midtown Specific Plan.

Great Mall Redevelopment Project

1. The elimination of blighting influences and the correction of environmental deficiencies in the Project Area, including among others, faulty exterior spacing,

obsolete and aged building types, building vacancies, uneconomic land uses and inadequate or deteriorated public improvements, facilities and utilities.

2. The replanning, redesign, rehabilitation and development of areas which are stagnant or improperly utilized.
3. The provision of opportunities for participation by owners in the revitalization of their properties. *[This goal will be furthered by the participation of the Great Mall owner and other businesses in the utilization and maintenance of the signs]*
4. The strengthening of retail and other commercial functions in the Project Area.
5. The strengthening of the economic base of the Project Area and the community by the installation of needed off-site improvements to stimulate new commercial expansion, employment and economic growth. *[This goal will be achieved by the rebuilding of existing signs to be more visible, have increased message capacity and be of higher quality]*
6. The provision of adequate land for parking and open spaces.
7. The establishment and implementation of performance criteria to assure high site design standards and environmental quality and other redesign elements that provide unity and integrity to the entire Project Area.

D. AGENCY ACCOMPLISHMENTS

Redevelopment in Milpitas began with the adoption of the Milpitas Redevelopment Project Area No. 1 in 1976. Over the years, the Agency has worked to reduce blight in Project No. 1 and the Great Mall Project by undertaking various redevelopment activities. The following is a list of projects completed by the Agency:

Milpitas Redevelopment Project Area No. 1:

- Street Improvement Projects – The Agency has spent approximately \$6.2 million in reconstruction of streets and medians within the proposed Merged Project Area for improved safety, provided analysis of lighting deficiencies, and constructed trail and sidewalk safety upgrades.
- Interstate 880/Sate Route 237 interchange - \$15 million Agency contribution.
- Interstate 880/Dixon Landing Interchange - \$10 million Agency contribution.

- Montague Expressway Improvement Project - \$8 million Agency contribution.
- Interstate 880/Tasman Drive Interchange - \$2 million Agency contribution.
- Great Mall Parkway - \$13 million Agency contribution.
- Storm Drain Improvements – The Agency funded approximately \$1.0 million in storm drain system improvements and for the Storm drain Master Plan, the Midtown Specific Plan and the public safety technology.
- Sewer and Water Projects – The Agency funded \$8.6 million for the San Jose Parallel Forcemain, Pump Station site improvements and water well upgrades.
- Midtown Improvements – The Agency expended \$1.6 million on street reconstruction, parking garage planning, and other pre-development activities associated with the implementation of the Midtown Specific Plan.
- Civic Center Improvements – The Agency funded approximately \$43.2 million for construction of the new Civic Center, garage and site improvements.
- Milpitas Sports Center Upgrades and Site Renovations – Agency funded approximately \$7.1 million for this project.
- Senior Center Improvements – Approximately \$1.5 million was funded by the Agency.
- City Gateway Identification Sign – Construction of the entry sign at Tasman Drive; the Agency funded approximately \$0.6 million for this project.
- Telecommunications and Technology Improvements – The Agency funded \$4.3 million for the creation of a fiber optic ring for public facilities and safety.
- Milpitas Library – The Agency expended approximately \$1.6 million on the design of the new library and utility relocation.
- Parks Projects – Agency expended \$0.3 million on parks projects, most notably the Athletic Court reconstruction, path and picnic upgrades.
- Berryessa and Coyote Creeks Trail Improvements – Agency funded approximately \$0.41 million for trail improvements.

- Other Miscellaneous Community Projects – Agency funded approximately \$3.2 million in various community projects.
- Residential development – Construction of the above-mentioned infrastructure projects, helped to make possible the development of approximately 3,500 housing units inside and outside of the Merged Project Area, of which, over 500 units have been affordable. This includes assistance to the private sector in developing low and moderate income housing as documented in the Agency's Five-Year Implementation Plan.
- Commercial Development – Redevelopment efforts also facilitated the development of over 4.7 million square feet of industrial space and over one million square feet of commercial space.

Great Mall Redevelopment Project:

- Assist in the rehabilitation and renovation of the existing improvements at the Great Mall site to develop a retail mall containing 1,200,000 square feet.
- Assistance in the development of the retail pad parcels adjacent to the Great Mall shopping center.
- Assistance in public infrastructure improvements including widening of adjacent roadways, installation of traffic signals, undergrounding of utility lines, installation of water and sewer lines; and construction of bus stops.

II. REASONS FOR AMENDING THE REDEVELOPMENT PLANS

A. BACKGROUND AND PURPOSE

The Agency is proposing to amend the Redevelopment Plans to merge the existing Milpitas Redevelopment Project Area No. 1 and the Great Mall Redevelopment Project. Section 33485 *et seq.* of the CRL allows for merger of redevelopment project areas as a matter of public policy if they will result in substantial benefit to the public, and if they contribute to the revitalization of the Project Areas through the increased economic vitality of such areas and through increased and improved housing opportunities in or near such areas. The CRL also provides that redevelopment project areas, under the jurisdiction of a redevelopment agency, may be merged without regard to contiguity of the areas, by the amendment of each affected redevelopment plan. Furthermore, taxes attributable to each project area merged that are allocated to the redevelopment agency may be allocated to the entire merged project area for the purpose of paying the principal of, and interest on, indebtedness incurred by the redevelopment agency to finance or refinance, in whole or in part, the merged redevelopment project. It should be noted that the Agency does not receive any tax increment funds from the Great Mall Project and the proposed Merger and Amendments do not provide for the Agency to do so. The primary purpose of the proposed Merger is to merge the Project Areas in order to facilitate and increase the economic viability of the Great Mall Shopping Center and other businesses in the area by, among other things, enabling construction of signs along freeway corridors in order to increase visibility of the Project Areas' businesses. It is proposed that at least two of the signs would be electronic "reader board" signs, while the others would be monument signs erected on freestanding pylons. Other way finding signs are also proposed which can include advertisement for public events. The general location of the signs is shown on Figure 2.

The California Outdoor Advertising Act ("Act") applies to the placement of advertising displays within 660 feet from the edge of the right-of-way when the advertising copy is visible from interstate highways or primary highways (Cal. Bus. & Prof. Code §5271). Under the Act, advertising displays advertising businesses and activities developed within the boundary limits of a redevelopment project area may, with the consent of the redevelopment agency, be considered to be on the premises anywhere within the limits of that project area when all of the land in the project area is (1) contiguous, (2) is separated only by a public highway, or (3) constitutes public facilities developed or relocated for inclusion within the project as a part of the original redevelopment plan for a period not to exceed 10 years or the completion of the project, whichever occurs first, unless an arrangement has been made for extension of the period between the redevelopment agency and CalTrans for good cause (Cal. Bus. & Prof. Code §5273). By merging projects all territory within Project No. 1 and the Great Mall Project will be contiguous and therefore qualify under part (1) of the Act. The exception would be one area added to the Great Mall Project in 2001, which will be non-contiguous but qualify under part (2)

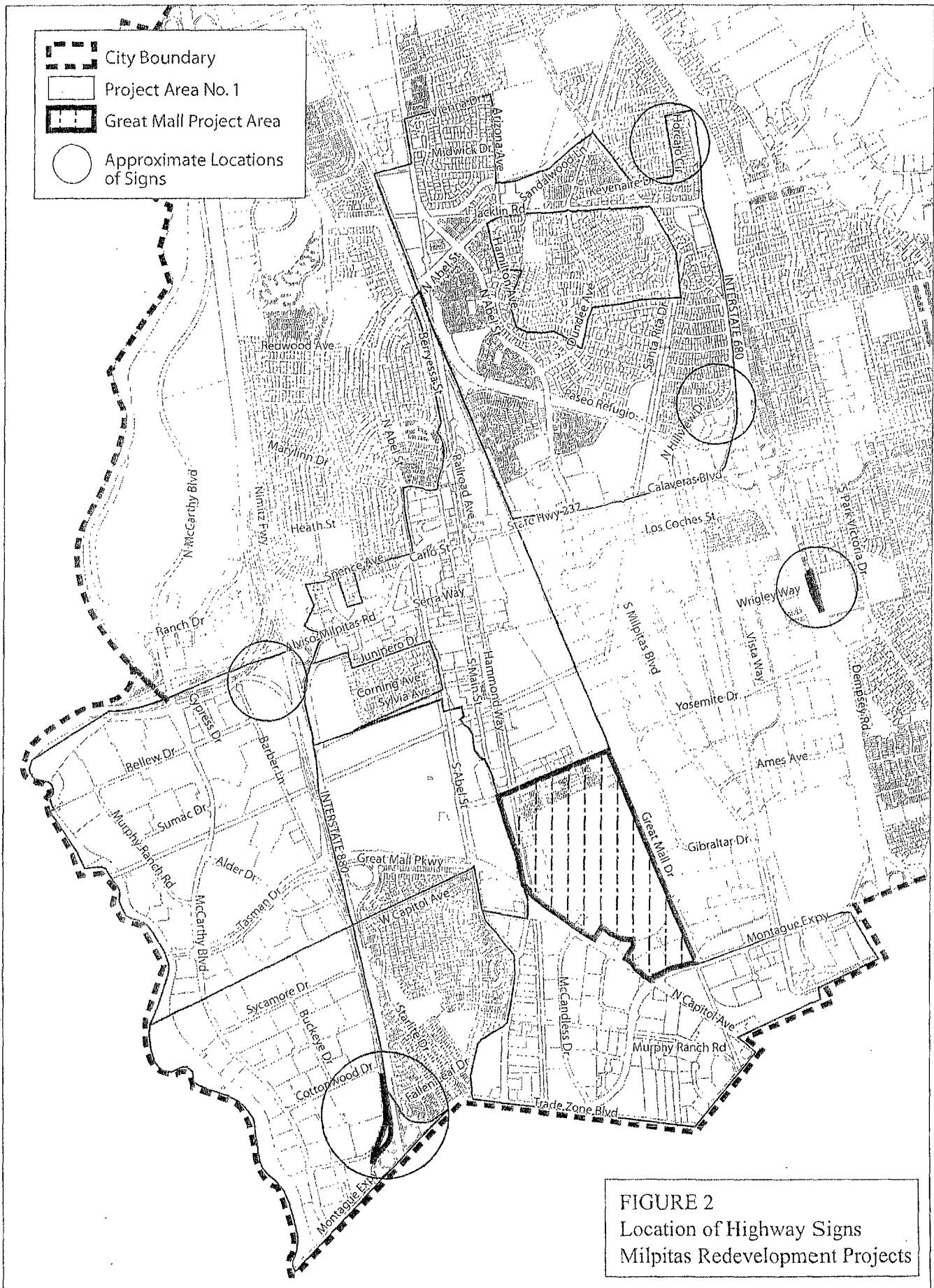


FIGURE 2
Location of Highway Signs
Milpitas Redevelopment Projects

of the Act because it will only be separated from the rest of the proposed Merged Project Area by Interstate 680 (separated only by a public highway). With the proposed Merger, businesses throughout the proposed Merged Project Area will be able to advertise on signs located along the freeway and highway corridors within the Project Areas. Without the proposed Merger, such advertising would be limited or prohibited by the Act.

Repayment or partial repayment of the cost for sign construction will be accomplished by the establishment of a Signage Improvement District. The District will be funded by retail sales tax and/or funding from private businesses. Although the proposed Merger is necessary to facilitate the construction of the signs, the additional visibility and increased patronage will increase the economic viability of businesses throughout Project No. 1 and the Great Mall Project. By increasing the viability of the core of the City, the desirability of the area will be enhanced which will further increase the viability to develop housing including affordable housing within the Project No. 1. The combination of which will be a substantial benefit to the public. As of fiscal year 2005-06, the Agency has exceeded its inclusionary requirement for providing affordable housing in or outside the Project Areas by nearly 32 percent.

B. NEED FOR INCREASED ECONOMIC VIABILITY

1. Great Mall

As previously stated, the adoption of the proposed Merger will provide a substantial benefit to the area through the increased economic vitality resulting from sign construction and improved retail visibility. The Great Mall is a 1.3 million square foot shopping mall that is Northern California's largest value-oriented retail and entertainment property, featuring a total of 11 anchors and over 200 stores consisting of manufacturer outlets, off-price and discount retailers, and specialty stores; however one of the former anchor tenants, Media Play, which sold books, CDs and videos, is no longer in business and recently vacated the former showroom at the Great Mall. The Great Mall is equally divided between major tenants (642,573 square feet) and specialty tenants and the food court (642,012 square feet). The Great Mall has been underperforming in terms of taxable retail sales relative to comparable shopping centers within the region. Furthermore, lease rates at the Great Mall are lower than competing regional malls.

There are six super-regional shopping malls that are of similar size to the Great Mall and within 15 miles of the Great Mall located in the cities of San Jose, Santa Clara, Cupertino, Palo Alto and Newark.¹ Telephone calls to leasing agents at the six malls were placed in order to obtain the average lease rate and vacancy rates for each shopping mall. Three of the six shopping

¹ Information provided by Reis, Inc. Reis, Inc. is a commercial real estate performance information provider, and has for the past 25 years provided analysis at the Metro (City) and sub-market (neighborhood) and property level.

mall (Westfield Valley Fair Mall, Westfield Oakridge Mall, and the Stanford Shopping Center Mall) responded with the information requested, which provides a meaningful sample from which to compare. The Westfield Valley Fair Mall in Santa Clara and the Westfield Oakridge Mall in San Jose have a vacancy rate of two percent while the Stanford Shopping Center Mall in Palo Alto has a vacancy rate of zero percent as it is completely leased up. At the Great Mall, the former space occupied by Media Play, represents 35,000 square feet of vacant space, which combined with other vacancies, exceeds the zero to two percent vacancy rates at the comparison malls.

Based upon information provided by Reis, Inc., the lease rates of these three shopping malls were analyzed. The average lease rate at the Great Mall is \$2.08 per square foot. In comparison, the Stanford Shopping Center Mall has an average lease rate of \$8.75 per square foot, while the Westfield Valley Fair Mall is \$6.66 per square foot, and the Westfield Oakridge Mall is \$2.92 per square foot.

In addition to low lease rates, taxable retail sales at the Great Mall have remained stagnant for the past five years. From 2001-2005, the taxable retail sales revenues to the City have increased from \$10,735,997 in 2001 to \$11,106,121 in 2005 for an overall increase of three percent or less than one percent annually. The Great Mall has been trying to reposition the center by attracting higher end uses such as Neiman Marcus Outlet store. The construction of the highway electronic signs will increase visibility and patronage making the center more attractive to higher end national retailers.

2. Other Commercial

As mentioned, the proposed signage will benefit other businesses in the Merged Project Area which are less competitive than other retailers outside of the Merged Project Area. For example, in Project No. 1, there are four community/neighborhood shopping centers (Calaveras Plaza, Serra Center, Abel Square, and Milpitas Square). These centers either have significantly low lease rates and/or retail sales per square foot when compared to a more contemporary community shopping center (McCarthy Ranch) located within the City but outside of the proposed Merged Project Area. Calaveras Plaza, located at the intersection of Calaveras Boulevard and Serra Way, is approximately 72,721 square feet and contains a Save Mart Supermarket. The Serra Center, located at 200 Serra Way, is 102,064 square feet and contains a Big Lots, Oak Leaf Furniture and Walgreens. The Milpitas Square is located at 190 Barber Lane and contains a 99 Ranch Market among other retail, restaurant and automotive tenants and totals approximately 162,000 square feet. Finally, Abel Square located at 200 Calaveras Boulevard contains approximately 28,000 square feet. McCarthy Ranch is a contemporary shopping center containing approximately 267,000 square feet located at Highway 237 and Interstate 880. This shopping center has easy access, good location, and visible signage to attract patrons. Based upon information provided by the City for the year 2005, a comparison of average taxable sales per square foot for three of the four shopping centers in Project No. 1

(information is not available for Abel Square) with McCarthy Square can be made. It should be noted that not all retail goods are taxable. For example, approximately 70 percent of all goods sold at a grocery store are not taxable, and therefore these sales would not be reflected within the taxable retail sales data provided by the City as discussed above. Since the three shopping centers within Project No. 1 for which retail sales information is available contain a grocery store, a conservative estimate of 75 percent of the retail goods sold at these shopping centers can be assumed non-taxable.² Based upon the information provided by the City, the average taxable sales per square foot for McCarthy Ranch Shopping Center was \$6,562 compared to an adjusted value of \$4,467 for Milpitas Square (32 percent lower), \$4,389 for Serra Center (33 percent lower), and \$3,654 for Calaveras Plaza (44 percent lower). Furthermore, lease rates at two of the four shopping centers are lower than the average lease rate at McCarthy Ranch shopping Center. The average lease rate at McCarthy Ranch is \$2.60 per square foot per month compared to \$1.42 per square foot for Abel Square (45 percent lower) and \$1.94 per square foot at the Serra Center (25 percent lower).

The City of Milpitas has had a decrease in retail sales revenue over the past five years (2001-2005). In 2001, taxable retail sales in the City generated \$59,669,274, while in 2005 only \$49,295,151 in taxable retail sales revenue to the City was generated. This is a decrease of approximately 17 percent or four percent annually. Furthermore, the City of Milpitas has a lower retail sales rate per capita than most of its neighboring cities that contain a super-regional shopping center including San Jose, Santa Clara, Cupertino, Palo Alto, and Newark. Only San Jose has a significantly lower retail sales per capita rate (35 percent lower) than Milpitas which is likely skewed by San Jose's substantially larger population. Cupertino retail sales per capita rate is slightly lower than Milpitas (four percent lower). Of the remaining three cities, Santa Clara has a retail sales per capita rate that is 55 percent higher than Milpitas, followed by Palo Alto at 45 percent higher, and Newark which has a retail sales per capita rate that is 37 percent higher than Milpitas.

In summary, the proposed Merger will have a substantial benefit to the public by allowing the Agency to efficiently implement its redevelopment program, which is targeted at revitalizing blighted areas and increasing the economic vitality of such areas. Specifically, the installation of signs will increase business visibility, and by bringing patrons to the downtown area will thereby increase retail sales. For the Great Mall, it is hoped that the signage will help attract new higher end retail tenants thereby reducing vacancies, increasing retail sales, and increase lease rates. In addition, the Agency will continue to implement its affordable housing program with

² Based upon information from the State Board of Equalization, general merchandise retail goods are approximately 90-95 percent taxable, drug stores merchandise is 60 percent taxable and food store merchandise is 30 percent taxable. The average retail sale per square foot for the Calaveras Plaza, Serra Center, Abel Square and Milpitas Square Shopping Centers was provided by the City Finance Department. The average retail sales per square foot for each shopping center was then divided by 25 percent (0.25) in order to achieve an adjusted retail sales figure based upon 75 percent of the retail sales being non-taxable.

approximately 7,500 units planned for the Project Area No. 1, of which, approximately 1,100 will be made affordable to low and moderate income families and persons. The proposed Merger will not allow the Agency to collect any additional tax increment beyond the limits identified in the Redevelopment Plans. No increase in any financial limit or extension of any time limit is proposed as part of the Amendments.

III. PROPOSED PROJECTS AND PROGRAMS

The existing projects and programs previously identified by the Agency will continue to be implemented with the addition of signage to the Economic Stimulation Program to further increase the economic viability of commercial businesses in the proposed Merged Project Area. How and which programs are implemented depends on the needs and objectives of the Project Area. The redevelopment program needs to be flexible and provide the capability to respond to changes and private sector interest. The strategy to attain the goals and objectives is to use public investment to attract and stimulate private investment. Due to the fact that the Great Mall is a non-tax increment project and is nearing completion, very little redevelopment activity is anticipated with the exception of the sign reconstruction. However, with the proposed Merger, the opportunity exists to spend money from Project No. 1 to fund improvements within the Great Mall Project. If an opportunity arose in the remaining years at the Great Mall Project, the Agency could consider assisting in funding those improvements. Therefore, the projects discussed below may have application to the Great Mall Project and therefore projects are referred to as being implemented in the Merged Project Area.

Based upon the Agency's Five-Year Implementation Plan (July 2005 – June 2010), the proposed redevelopment program for the Merged Project Area includes four (4) programs, as follows: 1) Economic Stimulation; 2) Community Facilities Improvements; 3) Transportation and Public Infrastructure Improvements; and 4) Housing. Within Section IV of this Report (financial feasibility analysis), the above listed programs (except for Housing) are identified within the cash flow analysis as discretionary funds since exact future allocation of Agency revenues for each of the redevelopment programs beyond the current Five-Year Implementation Plan period cannot be determined. The Agency will allocate the necessary funds for each program as needed over the remaining life of the Redevelopment Plans to address each Project Area's conditions, which will include responding to private sector interests.

The programs are designed to address the most significant blighting conditions in the proposed Merged Project Area. It is believed that as the most significant blighting conditions are reduced that further private sector investment will occur in the proposed Merged Project Area leading to further removal of blight. Therefore, the Agency's program of redevelopment will serve as a catalyst to remove blighting conditions and spur the preservation, improvement, creation and maintenance of affordable housing.

A. REDEVELOPMENT PROGRAMS

1. Transportation and Public Infrastructure Improvements

Infrastructure improvements include projects that will assist with the future development of the Merged Project Area including, but not limited to, the following: 1) transportation and circulation improvements which may entail street widening, construction of street medians, land configuration, street maintenance, and improved traffic signalization; 2) sewer improvements to alleviate infrastructure inadequacies, meet flow requirements and ensure public safety; 3) storm drain improvements including capacity for existing and new development to ensure proper drainage and on-going street maintenance of Merged Project Area streets; and 4) public infrastructure improvements including sidewalks, curbs and gutters, streetscape improvements, public transit improvements, create pedestrian links and develop enhanced parkways and sidewalks, and provide access to the disabled. The following are near-term specific transportation and public infrastructure projects that are proposed for the upcoming five years:

- Public Works Yard Improvements and Facility – expand the parking facility, updates the security system, makes improvements that brings the facility into compliance with the Storm Water Pollution Prevention Program. Estimated funding is \$450,000.
- BART Extension – planning and coordination for the BART extension that will serve residents and businesses within the proposed Merged Project Area. Estimated funding is \$255,000.
- Light Rail Median Landscaping – completes the landscape of the median that was originally part of the Light Rail construction. Estimated funding is \$1,416,000.
- North Milpitas Boulevard Soundwall – renovates the soundwall between Jacklin Road and Escuela Parkway. Estimated funding is \$150,000.
- In-ground Water Clarifiers – provides compliance at the Fire Stations with the urban runoff program. Estimated funding is \$150,000.
- Oakcreek Pump Station – provides for the necessary replacement of aged equipment at the Oakcreek Station per the Storm Drain Master Plan. Estimated funding is \$800,000.
- Singley Area Phase 4 – completes the reconstruction of street surface improvements in the Singley Area Study. Estimated funding is \$558,014.

- KB Home Infrastructure – part of the Agency's commitment towards construction of infrastructure for the KB Home project.
- Calaveras Boulevard Overcrossing – this project provides for sidewalk safety. Estimated funding is \$200,000.
- Milpitas Communication Enhancements – this project will deploy communication cables and equipment to Abel Street and Curtis Avenue and will support future development needs. Estimated funding is \$170,000.
- North Main Streetscape – this provides for the reconstruction of North Main Street consistent with the Midtown Specific Plan. Estimated funding is \$4,350,000.

Over the remaining life of the Redevelopment Plans, it is estimated that the Agency will spend approximately \$120,041,000 on projects related to transportation and public infrastructure improvements.

2. Community Facilities Improvements

Community-based projects focus on the need for new or improved community facilities such as parks, community centers, libraries, monument signs, open space and cultural facilities. Such facilities can be provided in conjunction with public schools to enrich the educational experience. Projects are anticipated for development, using Agency and/or other funds from the City, State and Federal governments. These projects are intended to encourage further investment in the neighborhoods and make them more desirable places to visit and live. By increasing investment in neighborhoods, there will be an added benefit of assisting the rehabilitation of deteriorated buildings and alleviate the existence of substandard structures.

There are a number of public benefit projects that are proposed to be constructed in the proposed Merged Project Area. The following are near-term specific transportation and public infrastructure projects that are proposed for the upcoming five years:

- Milpitas Sports Center (MSC) Facility Improvements – provides matching funds for facility upgrades to comply with FEMA requirements and reconfigures the parking lot and site for better traffic flow. Estimated funding is \$1,250,000.
- Senior Center Relocation – provides for the rehabilitation of the existing Library site to accommodate the new Senior Center. Estimated Funding is \$8,700,000.

- Community Center Improvements – improvements that bring the facility into compliance with current code requirements. Estimated funding is \$500,000.
- Milpitas Library – reuses the historic Milpitas Grammar School to accommodate a new 60,000 square foot public library. This project is critical to the revitalization of the Midtown historic commercial core. Estimated funding is \$33,700,000.

Over the remaining life of the Redevelopment Plans, it is estimated that the Agency will spend approximately \$247,362,000 on projects related to community facility improvements.

3. Economic Stimulation

The Agency will encourage expansion and new commercial, industrial and residential development in the proposed Merged Project Area through the Economic Stimulation Program. Under this program, the Agency may assist with land acquisition, site preparation, offsite improvements, disposition of property and relocation assistance to existing property owners and tenants. The Agency may also provide low interest rate and deferred payment loans under this program in order to encourage the upgrade to existing building façades, including the Great Mall Shopping Center. The Agency also intends to assist in creating additional parking in the proposed Merged Project Area and the removal of toxic waste from sites in the area. The Agency in order to enhance the visibility of businesses within the City, including the Great Mall and surrounding commercial businesses, will assist in the construction of digital message board signs along the freeway and way finding signs, which will facilitate and increase the economic vitality of these businesses. As discussed before, this assistance includes coordination between the owners and the City on sign design and approval. At this time, no financial assistance is anticipated. Over the remaining life of the Redevelopment Plans, it is estimated that the Agency will spend approximately \$94,023,000 on projects and programs related to economic stimulation and development.

4. Housing Program

As required by state law, 20 percent of the gross tax increment funds received by the Agency must be deposited into a fund that would be used to assist in the production and preservation of low and moderate income housing. The Agency may assist in a variety of programs to develop affordable housing both inside the proposed Merged Project Area and Citywide such as the following:

a. Production

The Agency can make loans and grants from the Low and Moderate Income Housing Fund to non-profit and for-profit developers for the new construction or rehabilitation of

affordable housing. Loans can be made on a deferred payment and/or below market interest rate basis.

The Agency can also participate in land acquisition, land cost write-down, developer recruitment, credit enhancement, and other participation to cause affordable housing to be developed. This is normally accomplished after identification of a housing site, development of a housing concept, and issuance of a Request for Proposals for development of housing. Such affordable housing could be rental or ownership housing. The Agency may also acquire land and directly build housing. In the near-term, the Agency is anticipated to focus its affordable housing efforts on production, specifically, private sector assisted development.

b. Preservation

The Agency may offer low-interest or no-interest loans or grants to assist low and moderate income homeowners in making repairs to existing residences. Such repairs could consist of correcting health and safety violations, re-landscaping, and re-painting. This preserves the affordability of the housing and extends its lifespan, as well as improving the neighborhood. Additionally, such programs can be extended to owners of rental properties to make repairs to affordable rental housing. In either case, covenants must be recorded to keep these properties affordable for the time period required by CRL. Some of the objectives of the preservation program include:

- Conserve and improve existing housing and residential neighborhoods. Provide loan and/or grant assistance to eligible households demonstrating inability to maintain the physical condition of their primary residences.
- Preserve the existing affordable housing stock. Work with existing providers of affordable housing to extend the terms of expiring affordable housing contracts.
- Require that all affordable multi-family and homeowner housing subsidized by RDA funding contains provisions that assure long-term affordability in compliance with Community Redevelopment law.

c. Affordability Assistance

These programs can involve direct subsidies to lower the cost of producing housing or first-time homebuyer programs to assist very-low to moderate income families with mortgage assistance for the purchase of a home. The latter can take the form of a deferred loan with a low interest rate and equity sharing provisions. When the home is sold, the loan and equity share would be used to help another first-time homebuyer.

Senior households in the low to moderate income category may also be targeted in such programs.

The above programs will make home ownership housing available to more low and moderate income residents in the proposed Merged Project Area and Citywide. By making more ownership housing available, the tax base for the proposed Merged Project Area and Citywide will increase and in turn provide funding for additional housing and non-housing programs, and market support for community retail, and commercial uses will increase. Providing incentives for landlords and homeowners to rehabilitate their properties, will increase the value of the surrounding properties and provide an incentive for those not qualified for rehabilitation assistance to also improve their properties.

Over the remaining life of the Redevelopment Plans, it is estimated that the Agency will spend approximately \$337,588,000 on projects and programs related to affordable housing.

IV. PRELIMINARY ASSESSMENT OF PROPOSED METHOD OF FINANCING, ECONOMIC FEASIBILITY, AND REASONS FOR INCLUDING DIVISION OF TAXES PURSUANT TO SECTION 33670

CRL Section 33345.5 (d) provides that the Preliminary Report contain a proposed method of financing the Redevelopment Plans and an assessment of economic feasibility. The following analysis considers the method of finance and economic feasibility of the proposed Merged Project Area to be formed from the merger of Project No. 1 and the Great Mall Project. It should be emphasized that merging projects does not change the tax increment status of the Great Mall Project. The Agency does not receive tax increment from the Great Mall Project and will not collect tax increment as a result of the proposed Merger. However, there is the potential to spend funds from Project No. 1 in the Great Mall Project. Currently, no specific projects have been identified at this time for the Great Mall Project. Economic feasibility, for purposes of this analysis, is defined to be a comparative analysis of anticipated costs for implementation of the Redevelopment Plans for the Merged Project Area, and the resulting revenues expected to be generated. Economic feasibility is determined through a feasibility cash flow analysis for the Projects as summarized on Table 3 at the end of this section.

A. ESTIMATED TOTAL PROJECT COSTS

A determination of economic feasibility requires an identification of the future resources to finance future costs associated with redevelopment of the Projects and the elimination of remaining blighting conditions. Although sign construction is anticipated to be funded by the private sector as well as maintenance and operations (through a signage improvement district), other redevelopment efforts are anticipated to require significant participation from the Agency. This includes activities to promote and achieve the desired goals and objectives of the Redevelopment Plans and to address blighting conditions.

The redevelopment program described in this section outlines a set of activities to be implemented by the Agency for the purpose of facilitating private reinvestment in the Projects and eliminating physical and economic blighting influences, and increasing, improving and preserving the community's supply of low and moderate income housing. The estimated costs of potential future redevelopment programs over the term of the cash flow projection are as follows:

Total Project Costs

Bond Debt Service	\$483,300,000
Existing Obligations - Land Purchases	\$200,000,000
Operating Expenses	<u>\$101,000,000</u>
Subtotal Non-Discretionary	\$784,300,000
Housing Programs (20% set-aside)	\$325,600,000
Transportation and Public Infrastructure	\$113,600,000
Economic Stimulation	\$87,600,000
Community Facilities	<u>\$234,400,000</u>
Subtotal Projects & Programs	\$761,200,000
Total Project Costs	\$1,545,500,000

1. Bond Debt Service

The Agency issued tax allocation bonds in 2003 in a principal amount of \$200 million. Annual debt service on the outstanding bonds will be \$12.7 million in 2006-07 and is payable primarily from tax increment revenues net of housing set-aside (97 percent) with approximately three percent payable from the housing fund.

The feasibility cash flow assumes that the Agency will issue additional tax allocation bonds in each year in which tax increment revenues are projected to be sufficient to support at least \$20 million in net bond proceeds. Based on this assumption, issuance of tax allocation bonds has been projected for 2010-11, 2011-12 and 2013-14. The combined net bond proceeds projected to be issued by the Agency over life of the Redevelopment Plans shown on Table 3 totals \$93 million. The aggregate principal and interest payments over the life of the Projects for these new bond issuances are projected to total \$163 million. Including debt service on the 2003 bonds, bond debt service costs total \$483 million. Projected future bond debt service assumes a tax-exempt interest rate of six percent, a coverage ratio equal to the greater of one hundred twenty-five percent (125 percent) and total subordinate debt and operating expenses, net proceeds factor of twelve percent (12 percent), and a repayment term equal to the lesser of 30-years and the number of years remaining for receipt of tax increment for the original project area (after which tax increment receipts decline).

2. Existing Obligations – Land Purchases from the City and County

The Agency has an on-going payment obligation to Santa Clara County in respect to the purchase of property from the County in 2003. The Agency is required to make annual payments to the County which continue through 2037-38 and are projected to total \$158 million.

Payment amounts from 2023-24 through 2037-38 are dependent on the amount of sales tax generated within a designated area and are capped at \$5 million per year. Payments in these years have been projected based on the \$5 million maximum.

In 2004, the Agency purchased property from the City of Milpitas for a total of \$29.3 million. Approximately \$6.1 million of the purchase price was paid initially. The balance of the purchase price (\$23.2 million) is to be paid over time and carries an interest rate of 10 percent per year. No payment schedule is specified; however, the debt is assumed to be repaid over eight years in installments of \$5.75 million in accordance with the Agency's Implementation Plan, except for 2009-10 with a reduced payment amount of \$2.7 million and 2013-14 with a payoff amount of \$4.8 million. Payments are projected to total \$42 million. The payment in 2009-10 is assumed to be reduced to make funds available for projects anticipated in the Agency's Implementation Plan. Without such a reduction, there is an estimated shortfall of approximately \$3 million in 2009-10 to fully fund Implementation Plan projects. Other options available to the Agency to address the estimated funding gap may include issuance of additional bonds, a General Fund loan, or delay by one year of a \$3 million portion of the Implementation Plan projects.

3. Operating Costs

The Agency will incur various operating costs associated with implementing the proposed Merged Project Area. These will include staff time; special legal and technical assistance; and preparing planning and other studies. The projected cost to administer the redevelopment program is estimated to be \$2.4 million (nine percent of the tax increment) in 2006/07 per projections prepared for the Agency's Implementation Plan, or approximately 11 percent of net non-housing tax increment. Expenses in future years are estimated based on a three percent annual growth rate. Annual operating costs are assumed to be minimal after the Midtown Area plan effectiveness limit in 2033-34. Total projected cost to administer the redevelopment program over the life of the Redevelopment Plans is estimated to be \$101 million.

4. Future Projects and Programs

To the extent future tax increment revenues continue to be allocated to the Agency and exceed debt service, land purchase obligations, and operating costs, the financial feasibility analysis assumes that the Agency will exercise its discretion in funding other future projects, programs or activities of benefit to the Projects. Funding for discretionary non-housing programs over the anticipated life of the Projects is projected to total \$436 million including \$114 million for transportation and public infrastructure, \$88 million for economic stimulation and \$234 million for community facilities, as estimated on the attached feasibility cash flow (Table 3). The cumulative contribution to the Agency's Housing Fund is projected to be \$326 million through the 2049 tax increment receipt limit for the Midtown area. Discretionary non-housing expenditures for 2006/07 through 2009/10 are based on the Agency's Implementation Plan. Expenditures for 2010/11 and beyond are based on a percentage allocation among the three

major non-housing expenditure categories. The anticipated projects, programs or activities that the Agency may undertake as future resources become available are presented Section IV.

B. FINANCING METHODS AVAILABLE TO THE AGENCY

The Agency has the legal authority and flexibility to implement the revitalization of the Projects utilizing any or all of the following sources: (1) city; (2) state; (3) federal government; (4) tax increment funds in accordance with provisions of the existing CRL (derived only from Project No. 1); (5) new tax allocation bonds (financed with tax increment from Project No. 1); (6) interest income; (7) loans from private financial institutions; (8) lease or sale of Agency-owned property; (9) donations; (10) developer payments; and (11) any other legally available public or private sources.

Current provisions of the CRL provide authority to the Agency to create indebtedness, issue bonds, borrow funds or obtain advances in implementing and carrying out the specific intents of a redevelopment plan. The Agency is authorized to fund the principal and interest on the indebtedness, bond issues, borrowed funds or advances from tax increment revenue and any other funds available to the Agency. To the extent that it is able to do so, the City may also supply additional assistance through City loans or grants or cooperation agreements for various public facilities or other project costs.

Table 3 feasibility cash flow reflects net tax increment revenues of approximately \$1.352 billion over the next 43 years. From this projected amount, \$326 million would be deposited into the Agency's Low and Moderate Income Housing Fund, resulting in a cumulative net tax increment revenue amount of \$1.027 billion. Although other funds may be available to the Agency, the Table 3 feasibility cash flow only reflects tax increment revenues and the expenditure line items that are funded from tax increment.

Potential revenue sources to fund project costs, as assumed in this economic feasibility cash flow, include, but are not limited to, the following: (1) tax increment revenues; (2) proceeds from tax allocation bonds; (3) interest earnings on general and bond reserve funds; and (4) an initial fund balance. The estimated resources available to finance the proposed redevelopment programs are summarized as follows:

Total Aggregate Resources

Net Tax Increment & Housing Set Aside	\$1,352,230,000
Net Bond Proceeds	\$92,880,000
Interest Earnings	\$18,770,000
Initial Fund Balance	\$81,540,000
Total Aggregate Resources	\$1,545,420,000

1. Net Tax Increment Revenues and Housing Set Aside

The projection of the incremental taxable values and resulting tax increment revenues for the Merged Project Area over the term of the Plan is summarized in Table 6 at the end of this section with detail for each sub-area of the proposed Merged Project Area provided in Tables 5 to 8. The Great Mall project does not generate tax increment and is therefore not shown in the revenue projection. The gross total tax increment revenues for the Merged Project Area through the 2048-49 tax increment receipt limit for the Midtown Area is projected to amount to \$1.628 billion, of which \$326 million would be required for deposit into the Housing Fund; and \$256 million would be required with respect to the Agency's pass through obligations. The net tax increment revenues available to the Agency over the remaining life of the Redevelopment Plans totals \$1.027 billion. The combined net tax increment and housing set aside funds total \$1.35 billion.

Health and Safety Code Section 33333.6 permits the Agency to receive tax increment revenue for up to an additional 10 years after Plan termination for pre-AB1290 plans and an additional 15 years for post-AB1290 plans. Amounts after the plan termination limit are available to be allocated only to the extent that the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years. The Agency would also be required to meet its Housing Fund and pass through obligations. The projection assumes collection of 100 percent of tax increment revenue available to be allocated to the Agency after the plan effective limit is reached in respect to each of the sub-areas.

The projection of net tax increment and housing set aside is based on the following assumptions:

- a) *Growth in Assessed Valuation and New Development* - Tax increment revenues are based upon increases in the annual incremental assessed valuation of the proposed Merged Project Area that result from future transfers of property ownership or new construction activities and the two percent (2 percent) real property annual inflationary increase allowable under Article XIII A of the California Constitution. The proposed Merged Project Area's taxable value has increased over the past five years at an average annual rate of approximately one percent (1 percent). The rate of increase has been less than the two percent allowable under Article XIII A of the California Constitution due to proposition eight reductions in assessed value in respect to research and development and other high tech properties and reductions in unsecured values with the loss or downsizing of several large tenants. For purposes of this analysis, future annual growth in tax increment is estimated to increase at a two percent (2 percent) annual rate in 2006/07 and thereafter; in addition, the estimated assessed value of anticipated new development summarized on Table 9 is included in the estimates of taxable value.

- b) *Housing Set Aside* - The Agency is annually required to deposit 20 percent of gross tax increment revenues generated by the Projects into the Low and Moderate Income Housing Fund for the purposes of increasing, improving and preserving the community's supply of low and moderate income housing available at an affordable housing cost. Specific housing-related projects, programs and activities are not delineated in the feasibility cash flow, but assume that as housing set aside funds become available they are used by the Agency to fund such expenditures. Please refer to the Implementation Plan for further information on planned housing activities.
- c) *Statutory Pass Throughs* - Statutory pass through payments were triggered as a result of a prior amendment in 1996 to increase the limit on the cumulative amount of tax increment which may be allocated to the Agency. These statutory pass through obligations (set forth under Health and Safety Code Section 33607.5) took effect in 2001-02 which is the first year following the fiscal year in which the prior tax increment limit would have been reached. Pass throughs are calculated using an adjusted base value equal to the assessed value in 2000-01. Since none of the taxing agencies have a pass through agreement with the Agency, all taxing agencies are eligible to receive their allocation of the statutory pass throughs.
- d) *County Admin Fee* - The tax increment revenue projection includes payments to the County for administrative charges allowed under Chapter 466, Statutes of 1990, (SB 2557).

2. Proceeds from Bonds

The Agency may pledge tax increment revenues to secure the principal and interest payments of tax allocation bonds issued to finance anticipated program costs. The issuance of tax-exempt bonds and the use of said proceeds are subject to federal tax restrictions. The economic feasibility of the financing plan reflected on Table 4 is based upon the Agency's issuance of three tax allocation bonds in addition to the outstanding 2003 bonds to generate approximately \$93 million in net proceeds.

3. Interest Income

The Agency may receive interest earnings generated from funds on deposit in the bond reserve funds, project operating funds and other special funds established for the Projects. The 2003 tax allocation bonds require the Agency to maintain a reserve fund and additional tax allocation bond issuances are assumed in the Table 3 cash flow; therefore, interest earnings from monies deposited in a bond reserve fund are anticipated. Interest earnings are projected to total \$19

million. During the first four years of the cash flow, estimates are based on the Agency's Implementation Plan. In subsequent years, the projections are based upon an assumed three percent (3 percent) interest rate.

4. Initial Fund Balance

An initial fund balance amount of \$82 million comprised of approximately \$63 million in unexpended bond proceeds and \$19 million in general unreserved fund balance has been included in the projection based on amounts anticipated in the Agency's Implementation Plan. Actual fund balance available may vary from this amount pending completion of the year end balance sheets for fiscal year 2005/06.

C. PROPOSED FINANCING METHOD, ECONOMIC FEASIBILITY, AND REASONS FOR INCLUDING TAX INCREMENT FINANCING

The anticipated costs to implement a program of revitalization in the proposed Merged Project Area will require significant participation from the Agency as it implements activities that promote and achieve the stated goals and objectives of the Redevelopment Plans. Economic feasibility of the Projects has been determined based upon a comparative cash flow analysis of the anticipated costs for implementation of the proposed redevelopment program to the resulting projected resources expected to be generated over the life of the Projects.

The financial feasibility cash flow summarized on Table 3 at the end of this section was created to represent one scenario of economic feasibility for the Projects that relies primarily on the use of tax increment. At the discretion of the Agency, other funding sources discussed above may also represent viable funding alternatives for economic feasibility of the Redevelopment Plans. Although the Agency may consider other funding sources permitted in the Redevelopment Plans, not all of the funding sources may be available or be feasible for the Agency to use in financing the anticipated costs and revenue shortfalls. In the event that neither the City nor the private market acting alone could fully bear the costs associated with revitalization of the Projects, the implementation of a redevelopment program utilizing tax increment revenues must be considered as a viable financing tool.

Table 3

Feasibility Cash Flow
Merged Project Area
Milpitas, CA
(000's Omitted)

	Total	2005-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Page 1 of 2																						
I. Beginning Balance ¹	136,031	81,544	29,028	20,890	4,532	36	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II. Revenue:																						
Net Tax Increment + Hsg Set Aside ²	1,352,228	26,565	28,233	30,717	33,916	37,034	40,052	41,274	41,910	42,522	43,147	43,784	44,433	45,086	45,771	46,461	47,164	47,881	48,612	49,359	50,120	50,896
Future TA Bond Proceeds ³	92,875	0	0	0	0	28,349	20,228	0	44,301	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest & Reserve Earnings at 3%	18,767	2,280	1,715	1,090	690	398	483	546	545	694	694	694	693	693	693	693	692	692	692	692	691	691
Total Revenue	1,463,870	28,845	29,946	31,807	34,608	65,780	60,761	41,820	86,756	43,217	43,841	44,477	45,126	45,789	46,464	47,153	47,856	48,573	49,304	50,050	50,811	51,587
III. Non-Discretionary Expenditures:																						
Existing TA Bond Debt (Non-Hsg shr)	320,480	12,353	12,354	12,326	13,197	13,215	13,205	13,182	13,152	13,149	13,141	13,132	13,112	13,107	13,100	13,093	13,074	13,074	13,073	13,071	13,047	13,031
Future TA Bond Debt Service	162,775	0	0	0	0	0	2,887	5,010	5,010	9,991	9,991	9,991	9,991	9,991	9,991	9,991	9,991	9,991	9,991	9,991	9,991	9,991
Land Purchase Agreement w/County ⁴	158,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Land Purchase Agreement w/City ⁵	41,866	5,750	5,750	5,750	2,700	5,750	5,750	5,750	4,766	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Exp @3% Growth	100,969	2,352	2,422	2,495	2,570	2,647	2,726	2,808	2,893	2,979	3,069	3,161	3,255	3,353	3,454	3,557	3,664	3,774	3,887	4,004	4,124	4,248
Housing Programs (Low/Mod)	325,647	5,592	5,913	6,543	7,355	8,146	8,973	9,905	9,489	9,676	9,868	10,063	10,262	10,465	10,672	10,889	11,099	11,318	11,543	11,771	12,004	12,242
Total Non-Discretionary	1,109,838	30,007	30,439	31,115	29,822	33,759	37,542	40,055	40,309	40,796	41,068	41,346	41,621	42,916	43,217	43,525	43,828	44,158	44,494	44,837	45,167	44,512
IV. Available for Discretionary Costs ⁶	490,063	80,383	28,538	21,583	9,316	32,057	23,219	1,764	46,447	2,421	2,773	3,131	3,505	2,873	3,248	3,629	4,027	4,415	5,811	6,214	6,644	7,075
V. Discretionary Programs																						
Transportation & Infrastructure ⁷	25%	113,578	11,482	3,759	1,496	9,280	8,014	5,805	441	11,612	605	693	783	876	971	1,067	1,164	1,262	1,361	1,461	1,561	1,661
Economic Stimulation	25%	87,561	0	0	0	8,014	5,805	441	11,612	605	693	783	876	971	1,067	1,164	1,262	1,361	1,461	1,561	1,661	1,769
Community Facilities ⁷	50%	234,437	39,873	3,889	15,554	0	16,029	11,609	882	23,223	1,210	1,386	1,565	1,753	1,946	2,144	2,347	2,554	2,765	2,980	3,199	3,422
Total Discretionary Programs ⁸		435,576	51,365	17,648	17,050	9,280	32,057	23,219	1,764	46,447	2,421	2,773	3,131	3,505	2,873	3,248	3,629	4,027	4,415	5,811	6,214	6,644
VI. Ending Balance		54,487	25,028	20,890	4,532	36	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Notes:

- ¹ Preliminary estimate of unreserved fund balance and remaining bond proceeds based on the Agency's five year implementation plan.
- ² The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. This projection assumes the Agency establishes sufficient debt to collect all annual revenue amounts available to be allocated after the effective life of the original and amendment areas.
- ³ Bonds assume debt service coverage sufficient to meet all non-discretionary obligations with a minimum of 125%; 6% non-taxable interest rate; 12% cost of issuance and reserves; term based on remaining years for T1 collection in the original area.
- ⁴ Additional payments per section 3.3 of the agreement which applies to FY 2023-24 - 2037-38 have been projected based on the maximum annual payment that may be required.
- ⁵ Payment terms are 0.00%, 10% interest rate. Payments of \$5.75 M/yr assumed per the implementation plan except 2009-10 when a reduced payment is assumed to address a projected shortfall.
- ⁶ Funds projected after the plan effectiveness limit are only available to repay debt. Project and program expenditures after the effectiveness limit are assumed to relate to debt repayment for projects implemented prior to this limit.
- ⁷ The Agency has entered into an agreement to reimburse the City for constructing certain public improvements. Reimbursement payments are included in these discretionary spending categories because the purpose of the payments is to fund discretionary public infrastructure and community facilities. The first four years of discretionary expenditures are based on the Agency's implementation plan and include reimbursement for overhead expenses.
- ⁸ Reflects plan limits for the Milpitas area because the Milpitas area has the longest amount of time remaining for effectiveness and tax increment receipt. The ability to incur debt for Amendment area No 2 extends through 2024-25, two years longer than for the Milpitas area, due to an SB 211 elimination of the effectiveness limit for that area.

Table 3
Feasibility Cash Flow
Merged Project Area
Milpitas, CA
(000's Omitted)

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	Midtown Area (B) Plan Limit										Midtown Area (B) TI Project Limit									
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
I. Beginning Balance ¹	51,688	52,495	39,117	39,738	40,354	23,021	23,397	23,744	10,709	10,951	11,196	11,447	11,703	11,964	12,230	12,502	12,779	13,061	13,349	13,643	13,943	14,249					
II. Revenue:																											
Net Tax Increment + Hsg Set Aside ²	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Future TA Bond Proceeds ³	690	552	252	251	137	135	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest & Reserve Earnings at 3%	52,378	53,047	39,369	39,990	40,490	23,157	23,397	23,744	10,709	10,951	11,196	11,447	11,703	11,964	12,230	12,502	12,779	13,061	13,349	13,643	13,943	14,249					
Total Revenue	52,378	53,047	39,369	39,990	40,490	23,157	23,397	23,744	10,709	10,951	11,196	11,447	11,703	11,964	12,230	12,502	12,779	13,061	13,349	13,643	13,943	14,249					
III. Non-Discretionary Expenditures:																											
Existing TA Bond Debt (Non-Hsg shrt)	13,019	8,402	8,394	8,383	4,551	4,545	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Future TA Bond Debt Service	9,991	9,991	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land Purchase Agreement w/County ⁴	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Land Purchase Agreement w/City ⁵	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Operating Exp @3% Growth	4,375	4,506	4,642	4,781	4,924	5,072	5,224	5,371	5,518	5,665	5,812	5,959	6,106	6,253	6,400	6,547	6,694	6,841	6,988	7,135	7,282	7,429					
Housing Programs (Low/Mod)	12,485	12,732	9,585	9,786	9,980	5,727	5,848	5,971	2,995	3,081	3,168	3,257	3,348	3,441	3,535	3,632	3,730	3,830	3,932	4,037	4,143	4,252					
Total Non-Discretionary	44,870	40,632	27,631	27,950	24,455	20,344	16,072	10,971	7,995	8,081	8,168	8,257	8,348	8,441	8,535	8,632	8,730	8,830	8,932	9,037	9,143	9,252					
IV. Available for Discretionary Costs ⁶	7,508	12,415	11,738	12,040	16,036	2,813	7,325	12,773	2,714	2,870	3,028	3,088	3,193	3,355	3,535	3,730	3,932	4,143	4,361	4,588	4,825	5,072					
V. Discretionary Programs																											
Transportation & Infrastructure ⁷	25%	1,877	3,104	2,934	3,010	4,009	703	1,831	679	717	757	2,047	2,089	2,131	2,174	2,218	2,262	2,308	2,354	2,402	2,450	2,499					
Economic Stimulation	25%	1,877	3,104	2,934	3,010	4,009	703	1,831	679	717	757	2,047	2,089	2,131	2,174	2,218	2,262	2,308	2,354	2,402	2,450	2,499					
Community Facilities ⁷	50%	3,754	6,208	5,869	6,020	8,018	1,407	3,663	1,357	1,435	1,514	4,095	4,177	4,262	4,348	4,435	4,524	4,615	4,708	4,803	4,900	4,998					
Total Discretionary Programs ⁶		7,508	12,415	11,738	12,040	16,036	2,813	7,325	12,773	2,714	2,870	3,028	3,193	3,355	3,535	3,730	3,932	4,143	4,361	4,588	4,825	5,072					

Notes:

- ¹ Preliminary estimate of unencumbered fund balance and remaining bond proceeds based on the Agency's five year implementation plan
- ² The CIP permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. This projection assumes the Agency establishes sufficient debt to collect all annual revenue amounts available to be allocated after the effective life of the original and amendment areas.
- ³ Bonds assume debt service coverage sufficient to meet all non-discretionary obligations with a minimum of 125%, 6% non-taxable interest rate; 12% cost of issuance and reserves; term based on remaining years for TI collection in the original area.
- ⁴ Additional payments per section 3.3 of the agreement which applies to FY 2023-24 - 2037-38 have been projected based on the maximum annual payment that may be required.
- ⁵ Payment terms are open, 10% interest rate. Payments of \$5.75 Mty assumed per the implementation plan except 2009-10 when a reduced payment is assumed to address a projected shortfall.
- ⁶ Funds projected after the plan effectiveness limit are only available to repay debt. Project and program expenditures after the effectiveness limit are assumed to relate to debt repayment for projects implemented prior to this limit.
- ⁷ The Agency has entered into an agreement to reimburse the City for constructing certain public improvements. Reimbursement payments are included in these discretionary spending categories because the purpose of the payments is to fund discretionary public infrastructure and community facilities. The first four years of discretionary expenditures are based on the Agency's implementation plan and include reimbursement for overhead expenses.
- ⁸ Reflects plan limits for the Midtown area because the Midtown area has the longest amount of time remaining for effectiveness and tax increment receipt. The ability to incur debt for Amendment area No 2 extends through 2024-25 two years longer than for the Midtown area, due to an SB 211 elimination of the incurrence limit for that area.

Table 4
Tax Increment Revenue Projection - Merged Project Area Summary
Merged Project Area
Milpitas, CA
(000's Omitted)

Fiscal Year ¹	Total Project Value	Gross Increment Over Base	Gross Increment Revenue	Cum TI 412,067	County Admin Fee 1.20%	Housing Set Aside -20.00%	Statutory Pass Through	Net Tax Revenue
2006-07	3,445,755	2,654,295	27,760	439,827	(333)	(5,552)	(861)	21,013
2007-08	3,735,462	2,944,002	29,564	469,391	(355)	(5,913)	(976)	22,320
2008-09	4,063,127	3,271,666	32,717	502,108	(393)	(6,543)	(1,607)	24,174
2009-10	4,469,055	3,677,595	36,776	538,884	(441)	(7,355)	(2,418)	26,561
2010-11	4,864,659	4,073,199	40,732	579,616	(489)	(8,146)	(3,210)	28,887
2011-12	5,277,870	4,486,410	44,864	624,480	(538)	(8,973)	(4,274)	31,079
2012-13	5,443,841	4,652,380	46,524	671,004	(558)	(9,305)	(4,692)	31,969
2013-14	5,535,787	4,744,327	47,443	718,447	(569)	(9,489)	(4,964)	32,422
2014-15	5,629,573	4,838,113	48,381	766,828	(581)	(9,676)	(5,278)	32,846
2015-16	5,725,234	4,933,774	49,338	816,166	(592)	(9,868)	(5,599)	33,279
2016-17	5,822,809	5,031,349	50,313	866,479	(604)	(10,063)	(5,926)	33,721
2017-18	5,922,335	5,130,875	51,309	917,788	(616)	(10,262)	(6,260)	34,171
2018-19	6,023,852	5,232,391	52,324	970,112	(628)	(10,465)	(6,600)	34,631
2019-20	6,127,399	5,335,938	53,359	1,023,471	(640)	(10,672)	(6,948)	35,100
2020-21	6,233,016	5,441,556	54,416	1,077,887	(653)	(10,883)	(7,302)	35,578
2021-22	6,340,747	5,549,286	55,493	1,133,380	(666)	(11,099)	(7,663)	36,065
2022-23	6,450,631	5,659,171	56,592	1,189,971	(679)	(11,318)	(8,032)	36,563
2023-24	6,562,714	5,771,254	57,713	1,247,684	(693)	(11,543)	(8,407)	37,070
2024-25	6,677,038	5,885,578	58,856	1,306,540	(706)	(11,771)	(8,791)	37,587
2025-26	6,793,649	6,002,188	60,022	1,366,562	(720)	(12,004)	(9,182)	38,115
2026-27	6,912,592	6,121,131	61,211	1,427,773	(735)	(12,242)	(9,581)	38,654
2027-28	7,033,913	6,242,453	62,425	1,490,197	(749)	(12,485)	(9,988)	39,203
2028-29	7,157,662	6,366,201	63,662	1,553,859	(764)	(12,732)	(10,403)	39,763
2029-30	5,581,505	4,797,885	47,979	1,601,838	(576)	(9,596)	(8,286)	29,521
2030-31	5,676,629	4,893,010	48,930	1,650,768	(587)	(9,786)	(8,605)	29,952
2031-32	5,773,656	4,990,037	49,900	1,700,669	(599)	(9,980)	(8,948)	30,374
2032-33	3,640,865	2,863,404	28,634	1,729,303	(344)	(5,727)	(5,270)	17,294
2033-34	3,701,294	2,923,833	29,238	1,758,541	(351)	(5,848)	(5,490)	17,549
2034-35	3,762,933	2,985,472	29,855	1,788,396	(358)	(5,971)	(5,752)	17,773
2035-36	2,270,429	1,497,712	14,977	1,803,373	(180)	(2,995)	(4,088)	7,714
2036-37	2,313,215	1,540,498	15,405	1,818,778	(185)	(3,081)	(4,270)	7,870
2037-38	2,356,857	1,584,140	15,841	1,834,619	(190)	(3,168)	(4,455)	8,028
2038-39	2,401,372	1,628,655	16,287	1,850,906	(195)	(3,257)	(4,644)	8,190
2039-40	2,446,777	1,674,060	16,741	1,867,646	(201)	(3,348)	(4,837)	8,355
2040-41	2,493,090	1,720,373	17,204	1,884,850	(206)	(3,441)	(5,033)	8,523
2041-42	2,540,330	1,767,613	17,676	1,902,526	(212)	(3,535)	(5,234)	8,695
2042-43	2,588,514	1,815,797	18,158	1,920,684	(218)	(3,632)	(5,438)	8,870
2043-44	2,637,662	1,864,945	18,649	1,939,334	(224)	(3,730)	(5,647)	9,049
2044-45	2,687,793	1,915,076	19,151	1,958,484	(230)	(3,830)	(5,860)	9,231
2045-46	2,738,926	1,966,209	19,662	1,978,147	(236)	(3,932)	(6,077)	9,417
2046-47	2,791,082	2,018,365	20,184	1,998,330	(242)	(4,037)	(6,298)	9,606
2047-48	2,844,282	2,071,564	20,716	2,019,046	(249)	(4,143)	(6,524)	9,800
2048-49	2,898,545	2,125,828	21,258	2,040,304	(255)	(4,252)	(6,755)	9,997

TOTAL 1,628,237 (\$2.4 B cap not reached) (19,539) (325,647) (256,470) 1,026,580

Notes:

¹ Assumes the Agency will extend effectiveness and debt repayment limits by 2 years pursuant to CRL 33333.6 (e) (2) (D).

The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. The amounts shown after the plan effective limit are available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years.

Table 5

Tax Increment Revenue Projection - Midtown Area
Merged Project Area
Milpitas, CA
(000's Omitted)

Plan Year	Fiscal Year	Existing Real Property	Real Growth at 2%	New Development Value Added at 2% growth ²	Total Real Property	Personal Property	Total Project Value	Increment Over Base \$772,717	Gross Increment Revenue	County Admin Fee 1.20%	Housing Set Aside -20.00%	Statutory Pass Through	Net Tax Revenue
4	2006-07	509,702	10,194	0	519,896	131,119	651,015	(121,702)	0	0	0	0	0
5	2007-08	519,896	10,398	98,905	629,199	131,119	760,318	(12,399)	0	0	0	0	0
6	2008-09	530,294	10,606	192,002	732,902	131,119	864,021	91,304	913	(11)	(183)	(183)	537
7	2009-10	540,900	10,818	237,272	788,990	131,119	920,109	147,392	1,474	(18)	(295)	(295)	867
8	2010-11	551,718	11,034	453,414	1,016,167	131,119	1,147,286	374,568	3,746	(45)	(749)	(749)	2,202
9	2011-12	562,752	11,255	680,221	1,254,228	131,119	1,385,347	612,630	6,126	(74)	(1,225)	(1,225)	3,602
10	2012-13	574,007	11,480	771,169	1,356,656	131,119	1,487,775	715,058	7,151	(86)	(1,430)	(1,430)	4,205
11	2013-14	585,487	11,710	786,592	1,383,789	131,119	1,514,908	742,191	7,422	(89)	(1,484)	(1,484)	4,364
12	2014-15	597,197	11,944	802,324	1,411,465	131,119	1,542,584	769,867	7,699	(92)	(1,540)	(1,577)	4,490
13	2015-16	609,141	12,183	818,371	1,439,694	131,119	1,570,813	798,096	7,981	(96)	(1,596)	(1,672)	4,617
14	2016-17	621,324	12,426	834,738	1,468,488	131,119	1,599,607	826,890	8,269	(99)	(1,654)	(1,768)	4,748
15	2017-18	633,750	12,675	851,433	1,497,858	131,119	1,628,977	856,260	8,563	(103)	(1,713)	(1,866)	4,881
16	2018-19	646,425	12,929	868,461	1,527,815	131,119	1,658,934	886,217	8,862	(106)	(1,772)	(1,966)	5,017
17	2019-20	659,354	13,187	885,831	1,558,372	131,119	1,689,491	916,773	9,168	(110)	(1,834)	(2,069)	5,155
18	2020-21	672,541	13,451	903,547	1,589,539	131,119	1,720,658	947,941	9,479	(114)	(1,896)	(2,279)	5,297
19	2021-22	685,992	13,720	921,618	1,621,330	131,119	1,752,449	979,732	9,797	(118)	(1,959)	(2,499)	5,441
20	2022-23	699,712	13,994	940,051	1,653,756	131,119	1,784,875	1,012,158	10,122	(121)	(2,024)	(2,388)	5,588
21	2023-24	713,706	14,274	958,852	1,686,832	131,119	1,817,951	1,045,233	10,452	(125)	(2,090)	(2,499)	5,738
22	2024-25	727,980	14,560	978,029	1,720,568	131,119	1,851,687	1,078,970	10,790	(129)	(2,158)	(2,612)	5,891
23	2025-26	742,540	14,851	997,589	1,754,980	131,119	1,886,099	1,113,381	11,134	(134)	(2,227)	(2,727)	6,047
24	2026-27	757,390	15,148	1,017,541	1,790,079	131,119	1,921,198	1,148,481	11,485	(138)	(2,297)	(2,844)	6,206
25	2027-28	772,538	15,451	1,037,892	1,825,881	131,119	1,957,000	1,184,282	11,843	(142)	(2,369)	(2,964)	6,368
26	2028-29	787,989	15,760	1,058,650	1,862,398	131,119	1,993,517	1,220,800	12,208	(146)	(2,442)	(3,086)	6,533
27	2029-30	803,749	16,075	1,079,823	1,899,646	131,119	2,030,765	1,258,048	12,580	(151)	(2,516)	(3,211)	6,702
28	2030-31	819,824	16,396	1,101,419	1,937,639	131,119	2,068,758	1,296,041	12,960	(156)	(2,592)	(3,338)	6,875
29	2031-32	836,220	16,724	1,123,447	1,976,392	131,119	2,107,511	1,334,794	13,348	(160)	(2,670)	(3,468)	7,050
30	2032-33	852,945	17,059	1,145,916	2,015,920	131,119	2,147,039	1,374,322	13,743	(165)	(2,749)	(3,600)	7,229
31	2033-34 ¹	870,003	17,400	1,168,835	2,056,238	131,119	2,187,357	1,414,640	14,146	(170)	(2,829)	(3,735)	7,412

Table 5
Tax Increment Revenue Projection - Midtown Area
Merged Project Area
Milpitas, CA
(000's Omitted)

Plan Year	Fiscal Year	Existing Real Property	Real Growth at 2%	New Development Value Added at 2% growth ²	Total Real Property	Personal Property	Total Project Value	Increment Over Base \$772,717	Gross Increment Revenue	County Admin Fee 1.20%	Housing Set Aside -20.00%	Statutory Pass Through	Net Tax Revenue
32	2034-35	887,403	17,748	1,192,211	2,097,363	131,119	2,228,482	1,455,765	14,558	(175)	(2,912)	(3,910)	7,562
33	2035-36	905,152	18,103	1,216,056	2,139,310	131,119	2,270,429	1,497,712	14,977	(180)	(2,995)	(4,088)	7,714
34	2036-37	923,255	18,465	1,240,377	2,182,096	131,119	2,313,215	1,540,498	15,405	(185)	(3,081)	(4,270)	7,870
35	2037-38	941,720	18,834	1,265,184	2,225,738	131,119	2,356,857	1,584,140	15,841	(190)	(3,168)	(4,455)	8,028
36	2038-39	960,554	19,211	1,290,488	2,270,253	131,119	2,401,372	1,628,655	16,287	(195)	(3,257)	(4,644)	8,190
37	2039-40	979,765	19,595	1,316,298	2,315,658	131,119	2,446,777	1,674,060	16,741	(201)	(3,348)	(4,837)	8,355
38	2040-41	999,360	19,987	1,342,624	2,361,971	131,119	2,493,090	1,720,373	17,204	(206)	(3,441)	(5,033)	8,523
39	2041-42	1,019,348	20,387	1,369,476	2,409,211	131,119	2,540,330	1,767,613	17,676	(212)	(3,535)	(5,234)	8,695
40	2042-43	1,039,735	20,795	1,396,866	2,457,395	131,119	2,588,514	1,815,797	18,158	(218)	(3,632)	(5,438)	8,870
41	2043-44	1,060,529	21,211	1,424,803	2,506,543	131,119	2,637,662	1,864,945	18,649	(224)	(3,730)	(5,647)	9,049
42	2044-45	1,081,740	21,635	1,453,299	2,556,674	131,119	2,687,793	1,915,076	19,151	(230)	(3,830)	(5,860)	9,231
43	2045-46	1,103,375	22,067	1,482,365	2,607,807	131,119	2,738,926	1,966,209	19,662	(236)	(3,932)	(6,077)	9,417
44	2046-47	1,125,442	22,509	1,512,012	2,659,963	131,119	2,791,082	2,018,365	20,184	(242)	(4,037)	(6,298)	9,606
45	2047-48	1,147,951	22,959	1,542,253	2,713,163	131,119	2,844,282	2,071,564	20,716	(249)	(4,143)	(6,524)	9,800
46	2048-49 ¹ Receipt Limit	1,170,910	23,418	1,573,098	2,767,426	131,119	2,898,545	2,125,828	21,258	(255)	(4,252)	(6,755)	9,997
TOTAL									507,927	(6,095)	(101,585)	(136,279)	263,968

Notes:

¹ The Agency has extended plan effectiveness and tax increment receipt limits by 1 year pursuant to CRL 33333.6 (e) (2) (C).

² See Table 9

Note:

The CRL permits the Agency to receive tax increment beyond the 30 year effective life of the Plan in order to repay indebtedness. The amounts shown in Years 32 to 46 are the annual revenue amounts available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years.

Table 6
Tax Increment Revenue Projection - Original Area
Merged Project Area
Milpitas, CA
(000's Omitted)

Plan Year	Fiscal Year	Existing Real Property	Real Growth at 2%	New Development Value Added at 2% growth ²	Total Real Property	Personal Property	Total Project Value	Increment Over Base \$7,841	Gross Increment Revenue	County Admin Fee 1.20%	Housing Fee Set Aside -20.00%	Statutory Pass Through	Net Tax Revenue
30	2006-07	1,007,567	20,151	0	1,027,719	21,220	1,048,939	1,041,098	10,411	(125)	(2,082)	(518)	7,686
31	2007-08	1,027,719	20,554	0	1,048,273	21,220	1,069,494	1,061,652	10,617	(127)	(2,123)	(559)	7,806
32	2008-09	1,048,273	20,965	39,950	1,109,188	21,220	1,130,409	1,122,568	11,226	(135)	(2,245)	(681)	8,165
33	2009-10	1,069,238	21,385	40,749	1,131,372	21,220	1,152,593	1,144,751	11,448	(137)	(2,290)	(726)	8,295
34	2010-11	1,090,623	21,812	41,564	1,154,000	21,220	1,175,220	1,167,379	11,674	(140)	(2,335)	(771)	8,428
35	2011-12	1,112,436	22,249	42,395	1,177,080	21,220	1,198,300	1,190,459	11,905	(143)	(2,381)	(848)	8,533
36	2012-13	1,134,684	22,694	43,243	1,200,621	21,220	1,221,842	1,214,001	12,140	(146)	(2,428)	(927)	8,639
37	2013-14	1,157,378	23,148	44,108	1,224,634	21,220	1,245,854	1,238,013	12,380	(149)	(2,476)	(1,008)	8,748
38	2014-15	1,180,526	23,611	44,990	1,249,126	21,220	1,270,347	1,262,506	12,625	(152)	(2,525)	(1,090)	8,858
39	2015-16	1,204,136	24,083	45,890	1,274,109	21,220	1,295,329	1,287,488	12,875	(154)	(2,575)	(1,174)	8,971
40	2016-17	1,228,219	24,564	46,808	1,299,591	21,220	1,320,812	1,312,970	13,130	(158)	(2,626)	(1,259)	9,087
41	2017-18	1,252,783	25,056	47,744	1,325,583	21,220	1,346,803	1,338,962	13,390	(161)	(2,678)	(1,347)	9,204
42	2018-19 ¹	1,277,839	25,557	48,699	1,352,095	21,220	1,373,315	1,365,474	13,655	(164)	(2,731)	(1,436)	9,324
43	2019-20	1,303,396	26,068	49,673	1,379,136	21,220	1,400,357	1,392,516	13,925	(167)	(2,785)	(1,526)	9,447
44	2020-21	1,329,464	26,589	50,666	1,406,719	21,220	1,427,940	1,420,098	14,201	(170)	(2,840)	(1,619)	9,571
45	2021-22	1,356,053	27,121	51,680	1,434,854	21,220	1,456,074	1,448,233	14,482	(174)	(2,896)	(1,713)	9,699
46	2022-23	1,383,174	27,663	52,713	1,463,551	21,220	1,484,771	1,476,930	14,769	(177)	(2,954)	(1,810)	9,828
47	2023-24	1,410,837	28,217	53,767	1,492,822	21,220	1,514,042	1,506,201	15,062	(181)	(3,012)	(1,908)	9,961
48	2024-25	1,439,054	28,781	54,843	1,522,678	21,220	1,543,899	1,536,057	15,361	(184)	(3,072)	(2,008)	10,096
49	2025-26	1,467,835	29,357	55,940	1,553,132	21,220	1,574,352	1,566,511	15,665	(188)	(3,133)	(2,110)	10,234
50	2026-27	1,497,192	29,944	57,058	1,584,194	21,220	1,605,415	1,597,574	15,976	(192)	(3,195)	(2,215)	10,374
51	2027-28	1,527,136	30,543	58,200	1,615,878	21,220	1,637,099	1,629,257	16,293	(196)	(3,259)	(2,321)	10,518
52	2028-29 ¹	1,557,679	31,154	59,364	1,648,196	21,220	1,669,416	1,661,575	16,616	(199)	(3,323)	(2,429)	10,664
TOTAL							309,823	(3,718)	(61,965)				212,136

Notes:

- ¹ The Agency has extended plan effectiveness and tax increment receipt limits by 1 year. Extension by 2 additional years is assumed pursuant to CRL 33333.6 (e) (2) (D).
² See Table 9

The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. The amounts shown in Years 43 to 52 are the annual revenue amounts available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years.

Table 7

Tax Increment Revenue Projection - Amendment Area No. 1

Merged Project Area

Milpitas, CA

(000's Omitted)

Plan Year	Fiscal Year	Existing Real Property	Real Growth at 2%	New Development Value Added at 2% growth ²	Total Real Property	Total Personal Property	Total Project Value	Increment Over Base \$6,158	Gross Increment Revenue	County Admin Fee 1.20%	Housing Set Aside -20.00%	Statutory Pass Through	Net Tax Revenue
27	2006-07	441,893	8,838	0	450,731	205,903	656,635	650,477	6,505	(78)	(1,301)	0	5,126
28	2007-08	450,731	9,015	138,817	598,563	205,903	804,466	798,308	7,983	(96)	(1,597)	(49)	6,241
29	2008-09	459,746	9,195	280,410	749,351	205,903	955,254	949,096	9,491	(114)	(1,898)	(351)	7,128
30	2009-10	468,941	9,379	586,184	1,064,504	205,903	1,270,407	1,264,249	12,642	(152)	(2,528)	(981)	8,981
31	2010-11	478,320	9,566	709,664	1,197,550	205,903	1,403,454	1,397,295	13,973	(168)	(2,795)	(1,247)	9,763
32	2011-12	487,886	9,758	838,966	1,336,610	205,903	1,542,514	1,536,355	15,364	(184)	(3,073)	(1,714)	10,392
33	2012-13	497,644	9,953	855,746	1,363,342	205,903	1,569,246	1,563,088	15,631	(188)	(3,126)	(1,804)	10,513
34	2013-14	507,597	10,152	872,861	1,390,609	205,903	1,596,513	1,590,354	15,904	(191)	(3,181)	(1,895)	10,637
35	2014-15	517,749	10,355	890,318	1,418,421	205,903	1,624,325	1,618,167	16,182	(194)	(3,236)	(1,989)	10,762
36	2015-16	528,104	10,562	908,124	1,446,790	205,903	1,652,693	1,646,535	16,465	(198)	(3,293)	(2,084)	10,891
37	2016-17	538,666	10,773	926,287	1,475,726	205,903	1,681,629	1,675,471	16,755	(201)	(3,351)	(2,181)	11,022
38	2017-18	549,439	10,989	944,812	1,505,240	205,903	1,711,144	1,704,985	17,050	(205)	(3,410)	(2,280)	11,155
39	2018-19	560,428	11,209	963,709	1,535,345	205,903	1,741,248	1,735,090	17,351	(208)	(3,470)	(2,381)	11,291
40	2019-20	571,636	11,433	982,983	1,566,052	205,903	1,771,955	1,765,797	17,658	(212)	(3,532)	(2,484)	11,430
41	2020-21	583,069	11,661	1,002,642	1,597,373	205,903	1,803,276	1,797,118	17,971	(216)	(3,594)	(2,589)	11,572
42	2021-22 ¹ Plan Limit	594,730	11,895	1,022,695	1,629,320	205,903	1,835,224	1,829,066	18,291	(219)	(3,658)	(2,697)	11,716
43	2022-23	606,625	12,133	1,043,149	1,661,907	205,903	1,867,810	1,861,652	18,617	(223)	(3,723)	(2,806)	11,864
44	2023-24	618,758	12,375	1,064,012	1,695,145	205,903	1,901,048	1,894,890	18,949	(227)	(3,790)	(2,917)	12,014
45	2024-25	631,133	12,623	1,085,292	1,729,048	205,903	1,934,951	1,928,793	19,288	(231)	(3,858)	(3,031)	12,168
46	2025-26	643,755	12,875	1,106,998	1,763,629	205,903	1,969,532	1,963,374	19,634	(236)	(3,927)	(3,147)	12,324
47	2026-27	656,630	13,133	1,129,138	1,798,901	205,903	2,004,805	1,998,647	19,986	(240)	(3,997)	(3,266)	12,484
48	2027-28	669,763	13,395	1,151,721	1,834,879	205,903	2,040,783	2,034,625	20,346	(244)	(4,069)	(3,386)	12,646
49	2028-29	683,158	13,663	1,174,755	1,871,577	205,903	2,077,480	2,071,322	20,713	(249)	(4,143)	(3,510)	12,812
50	2029-30	696,821	13,936	1,198,251	1,909,008	205,903	2,114,912	2,108,754	21,088	(253)	(4,218)	(3,635)	12,982
51	2030-31	710,758	14,215	1,222,216	1,947,189	205,903	2,153,092	2,146,934	21,469	(258)	(4,294)	(3,763)	13,154
52	2031-32 ¹ Receipt Limit	724,973	14,499	1,246,660	1,986,132	205,903	2,192,036	2,185,878	21,859	(262)	(4,372)	(3,894)	13,331
TOTAL									437,163	(5,246)	(87,433)	(60,084)	284,401

Notes:

¹ The Agency has extended plan effectiveness and tax increment receipt limits by 1 year. Extension by 2 additional years is assumed pursuant to CRL 33333.6 (e) (2) (D).

² See Table 9

The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. The amounts shown in Years 43 to 52 are the annual revenue amounts available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years.

Table 8
Tax Increment Revenue Projection - Amendment Area No. 2
Merged Project Area
Milpitas, CA
(000's Omitted)

Plan Year	Fiscal Year	Existing Real Property	Real Growth at 2%	Total Real Property	Total Personal Property	Total Project Value	Increment Over Base \$4,744	Gross Increment Revenue	County Admin Fee 1.20%	Housing Set Aside -20.00%	Statutory Pass Through	Net Tax Revenue
25	2006-07	589,121	11,782	600,904	488,263	1,089,166	1,084,423	10,844	(130)	(2,169)	(343)	8,202
26	2007-08	600,904	12,018	612,922	488,263	1,101,184	1,096,441	10,964	(132)	(2,193)	(367)	8,273
27	2008-09	612,922	12,258	625,180	488,263	1,113,443	1,108,699	11,087	(133)	(2,217)	(392)	8,345
28	2009-10	625,180	12,504	637,684	488,263	1,125,947	1,121,203	11,212	(135)	(2,242)	(417)	8,418
29	2010-11	637,684	12,754	650,438	488,263	1,138,700	1,133,956	11,340	(136)	(2,268)	(442)	8,493
30	2011-12	650,438	13,009	663,446	488,263	1,151,709	1,146,965	11,470	(138)	(2,294)	(466)	8,552
31	2012-13	663,446	13,269	676,715	488,263	1,164,978	1,160,234	11,602	(139)	(2,320)	(531)	8,612
32	2013-14	676,715	13,534	690,250	488,263	1,178,512	1,173,768	11,738	(141)	(2,348)	(576)	8,673
33	2014-15	690,250	13,805	704,055	488,263	1,192,317	1,187,573	11,876	(143)	(2,375)	(622)	8,736
34	2015-16	704,055	14,081	718,136	488,263	1,208,398	1,201,654	12,017	(144)	(2,403)	(670)	8,799
35	2016-17	718,136	14,363	732,498	488,263	1,220,761	1,216,017	12,160	(146)	(2,432)	(718)	8,864
36	2017-18	732,498	14,650	747,148	488,263	1,235,411	1,230,667	12,307	(148)	(2,461)	(767)	8,931
37	2018-19	747,148	14,943	762,091	488,263	1,250,354	1,245,610	12,456	(149)	(2,491)	(817)	8,998
38	2019-20	762,091	15,242	777,333	488,263	1,265,596	1,260,852	12,609	(151)	(2,522)	(868)	9,067
39	2020-21	777,333	15,547	792,880	488,263	1,281,142	1,276,399	12,764	(153)	(2,553)	(920)	9,138
40	2021-22	792,880	15,858	808,737	488,263	1,297,000	1,292,256	12,923	(155)	(2,585)	(974)	9,209
41	2022-23	808,737	16,175	824,912	488,263	1,313,175	1,308,431	13,084	(157)	(2,617)	(1,028)	9,283
42	2023-24	824,912	16,498	841,410	488,263	1,329,673	1,324,929	13,249	(159)	(2,650)	(1,083)	9,357
43	2024-25 ¹	841,410	16,828	858,239	488,263	1,346,501	1,341,757	13,418	(161)	(2,684)	(1,140)	9,433
44	2025-26	858,239	17,165	875,403	488,263	1,363,666	1,358,922	13,589	(163)	(2,718)	(1,197)	9,511
45	2026-27	875,403	17,508	892,911	488,263	1,381,174	1,376,430	13,764	(165)	(2,753)	(1,256)	9,590
46	2027-28	892,911	17,858	910,770	488,263	1,399,032	1,394,288	13,943	(167)	(2,789)	(1,316)	9,671
47	2028-29	910,770	18,215	928,985	488,263	1,417,248	1,412,504	14,125	(170)	(2,825)	(1,377)	9,753
48	2029-30	928,985	18,580	947,565	488,263	1,436,827	1,431,084	14,311	(172)	(2,862)	(1,440)	9,837
49	2030-31	947,565	18,951	966,516	488,263	1,454,779	1,450,035	14,500	(174)	(2,900)	(1,503)	9,923
50	2031-32	966,516	19,330	985,846	488,263	1,474,109	1,469,365	14,694	(176)	(2,939)	(1,586)	9,993
51	2032-33	985,846	19,717	1,005,563	488,263	1,493,826	1,489,082	14,891	(179)	(2,978)	(1,670)	10,064
52	2033-34	1,005,563	20,111	1,025,674	488,263	1,513,937	1,509,193	15,092	(181)	(3,018)	(1,755)	10,137
53	2034-35 ¹	1,025,674	20,513	1,046,188	488,263	1,534,451	1,529,707	15,297	(184)	(3,059)	(1,843)	10,211
TOTAL								373,324	(4,480)	(74,665)	(28,103)	266,076

Notes:

¹ The Agency has extended plan effectiveness and tax increment receipt limits by 1 year. Extension by 2 additional years is assumed pursuant to CRL 33333.6 (e) (2) (D).

The CRL permits the Agency to receive tax increment beyond the effective life of the Plan in order to repay indebtedness. The amounts shown in Years 44 to 53 are the annual revenue amounts available to be allocated, but only to the extent the Agency can demonstrate that such funds are needed to repay outstanding indebtedness in these years.

Table 9
New Development Value Added
Merged Project Area
Milpitas, CA
(000's Omitted)

Approved and Proposed Projects	Unit	\$/Unit ¹	Total AV	less existing value ²	Value Added	Calendar Year of Development										
						Fiscal Year Value Added to Secured Tax Roll										
						2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16		
Page 1 of 2																
Midtown Area																
Apton Plaza Condos																
Market Rate Units	74 Units	650,000	48,100	(2,951)	45,149	0	45,149	0	0	0	0	0	0	0	0	0
Very Low-Income Units	9 Units	60,000	540	0	540	0	540	0	0	0	0	0	0	0	0	0
Moderate-Income Units	10 Units	400,000	4,000	0	4,000	0	4,000	0	0	0	0	0	0	0	0	0
Aspen Village affordable apts ²	101 Units	0	0	NA	0	0	0	0	0	0	0	0	0	0	0	0
Bay Stone Condos																
Market Rate Units	310 Units	700,000	217,000	(9,279)	207,720	0	0	0	69,240	69,240	69,240	0	0	0	0	0
Affordable Units (assume VI) ⁴	77 Units	60,000	4,620	0	4,620	0	0	0	1,540	1,540	1,540	0	0	0	0	0
Paragon condos																
Market Rate Units	118 Units	700,000	82,600	(1,479)	81,120	0	40,560	40,560	0	0	0	0	0	0	0	0
Affordable Units (assume VI) ⁴	29 Units	60,000	1,740	0	1,740	0	870	870	0	0	0	0	0	0	0	0
Parc Place condos & townhouses																
Market Rate Units	227 Units	675,000	153,225	(70,200)	83,025	83,025	0	0	0	0	0	0	0	0	0	0
Very Low-Income Units	18 Units	60,000	1,080	NA	1,080	1,080	0	0	0	0	0	0	0	0	0	0
Low-Income Units	6 Units	200,000	1,200	NA	1,200	1,200	0	0	0	0	0	0	0	0	0	0
Moderate-Income Units	34 Units	400,000	13,600	NA	13,600	13,600	0	0	0	0	0	0	0	0	0	0
Mid-Peninsula Senior Hsg (aff) ²	103 Units	0	0	NA	0	0	0	0	0	0	0	0	0	0	0	0
Warrington condos	389 Units	750,000	291,750	(22,830)	268,919	0	0	0	134,460	134,460	0	0	0	0	0	0
Total Real Property Value																
1,505 Units																
Total Real Property Value (Inflated) ⁵																
Cumulative Value with Prop 13 Increases																

Page 1 of 2

Table 9

New Development Value Added
Merged Project Area
Milpitas, CA
 (000's Omitted)

Approved and Proposed Projects	Unit	\$/Unit ¹	Total AV	less existing value ²	Value Added	Calendar Year of Development									
						2006	2007	2008	2009	2010	2011	2012	2013	2014	
						1	2	3	4	5	6	7	8	9	
						Fiscal Year Value Added to Secured Tax Roll									
Page 2 of 2															
Amendment No. 1															
Fairfield Condos															
Market Rate Units	371 Units	800,000	296,800	(215)	296,584	0	0	98,861	98,861	98,861	0	0	0	0	0
Very Low-Income Units	22 Units	60,000	1,320	0	1,320	0	0	440	440	440	0	0	0	0	0
Low-Income Units	4 Units	200,000	800	0	800	0	0	267	267	267	0	0	0	0	0
Moderate-Income Units	67 Units	400,000	26,800	0	26,800	0	0	8,933	8,933	8,933	0	0	0	0	0
KB Homes townhouses & condos															
Market Rate Units	573 Units	650,000	372,450	NA	372,450	124,150	124,150	124,150	0	0	0	0	0	0	0
Moderate-Income Units	110 Units	400,000	44,000	NA	44,000	14,667	14,667	14,667	0	0	0	0	0	0	0
So. Main St (Matteson) condos															
Market Rate Units	117 Units	500,000	58,500	(7,392)	51,108	0	0	51,108	0	0	0	0	0	0	0
Affordable Units (assume VI) ⁴	29 Units	80,000	1,740	0	1,740	0	0	1,740	0	0	0	0	0	0	0
Total Real Property Value	1,147 Units				794,802	138,817	138,817	300,166	108,501	108,501	0	0	0	0	0
Total Real Property Value (Inflated) ⁵					3,00%	138,817	138,817	300,166	111,756	115,109	0	0	0	0	0
Cumulative Value with Prop 13 Increases					102.00%	138,817	280,410	586,184	709,664	838,966	855,746	872,861	890,318	908,124	908,124
Original Area															
Town Center - Residential Component ⁶															
Market Rate Units	49 Units	750,000	36,750	0	36,750	0	36,750	0	0	0	0	0	0	0	0
Low-Income Units	16 Units	200,000	3,200	0	3,200	0	3,200	0	0	0	0	0	0	0	0
Total Real Property Value	65 Units				39,950	0	39,950	0	0	0	0	0	0	0	0
Total Real Property Value (Inflated) ⁵					3,00%	0	39,950	0	0	0	0	0	0	0	0
Cumulative Value with Prop 13 Increases					102.00%	0	39,950	40,749	41,564	42,395	43,243	44,108	44,990	45,890	45,890

Notes:

¹ Estimate of unit values based on estimated price ranges provided by City staff. Values for very low and low-income units per KMA based on a conservative estimate of AV assuming deed restricted rental units. Not in 000s.

² Assumed to be owned by a non-profit and exempt from property taxes.

³ Current assessed value per real quest determined using the APNs for each project identified by City staff. Projects where no AV could be determined using identified APNs are listed as NA. Current AV is generally attributed to the market rate component of each project. 2006-07 AV for Parc Place estimated based on value of 104 units sold in 2005 per Hanley Wood Market Report.

⁴ Affordable program not yet defined, for purposes of T1 projections, conservatively assume very low income units.

⁵ Assumes home prices level off over the next three years and then grow at 3% per year thereafter.

⁶ Reflects additional AV from future residential component of mixed use project only. Value of commercial component assumed to be accounted for in the \$19.4 million assessed value on the existing tax rolls.

Source: City of Milpitas, Realquest

RESOLUTION NO. ____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS
DETERMINING THAT A PROJECT AREA COMMITTEE IS NOT REQUIRED
TO BE ESTABLISHED IN CONNECTION WITH THE MERGER OF MILPITAS
REDEVELOPMENT PROJECT AREA NO. 1 AND THE GREAT MALL
REDEVELOPMENT PROJECT AREA**

WHEREAS, the City Council originally approved and adopted the Redevelopment Plan for the Milpitas Redevelopment Project Area No. 1 ("**Project Area No. 1**") by Ordinance No. 192 on September 21, 1976 (as subsequently amended, hereafter the "**Project Area No. 1 Plan**");

WHEREAS, the City Council originally approved and adopted the Redevelopment Plan for the Great Mall Redevelopment Project Area (the "**Great Mall Project Area**") by Ordinance No. 192.8 adopted on November 2, 1993 (as subsequently amended, hereafter the "**Great Mall Plan**");

WHEREAS, Milpitas Redevelopment Agency ("**Agency**") staff and consultants have prepared proposed plan amendments that would effectuate a merger of Project Area No. 1 and the Great Mall Project Area;

WHEREAS, Health and Safety Code Section 33385 requires the formation of a Project Area Committee whenever either (i) a substantial number of low- or moderate-income persons reside within a redevelopment project area and the redevelopment plan will authorize use of eminent domain for the acquisition of property on which persons reside, or (ii) the redevelopment plan contains one or more public projects that will displace a substantial number of low- or moderate-income persons;

WHEREAS, Health and Safety Code Section 33385.3 provides that if a Project Area Committee does not exist, and the agency proposes to amend a redevelopment plan, the agency is required to establish a Project Area Committee if the proposed amendment would either (i) grant the agency authority to acquire by eminent domain property on which persons reside in a project area in which a substantial number of low- and moderate-income persons reside, or (ii) add territory in which a substantial number of low- and moderate-income persons reside and provide the agency with authority to acquire by eminent domain property on which persons reside in the added territory; and

WHEREAS, the proposed amendments do not affect the Agency's or the City's authority to use eminent domain to acquire property, do not provide for public projects that will displace a substantial number of low- and moderate-income persons, and do not add territory to the project areas.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Milpitas as follows:

Section 1. The Agency approves the Preliminary Report in the form on file with the City Clerk and authorizes transmittal of the Preliminary Report to affected taxing entities.

Section 2. The Agency approves the proposed Plan Amendments in the form on file with the City Clerk and authorizes transmittal of the proposed Plan Amendments to affected taxing entities and the Planning Commission.

PASSED AND ADOPTED this ____ day of _____, 2006, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, Agency Secretary

Jose S. Esteves, Chairperson

APPROVED AS TO FORM:

Steven T. Mattas, Agency Counsel

RA7

RESOLUTION NO. RA_____

**RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF MILPITAS
APPROVING THE PRELIMINARY REPORT ON THE PROPOSED MERGER OF
REDEVELOPMENT PROJECT AREA NO. 1 AND THE GREAT MALL PROJECT
AREA; AUTHORIZING TRANSMITTAL OF THE REPORT TO AFFECTED TAXING
ENTITIES; APPROVING PROPOSED REDEVELOPMENT PLAN AMENDMENTS TO
THE REDEVELOPMENT PLANS FOR PROJECT AREA NO. 1 AND THE GREAT
MALL PROJECT AREA, AND AUTHORIZING TRANSMITTAL OF THE PROPOSED
PLAN AMENDMENTS TO THE PLANNING COMMISSION**

WHEREAS, the City Council originally approved and adopted the Redevelopment Plan for the Milpitas Redevelopment Project Area No. 1 ("Project Area No. 1") by Ordinance No. 192 on September 21, 1976 (as subsequently amended, hereafter the "Project Area No. 1 Plan"); and

WHEREAS, the City Council originally approved and adopted the Redevelopment Plan for the Great Mall Redevelopment Project Area (the "Great Mall Project Area") by Ordinance No. 192.8 adopted on November 2, 1993 (as subsequently amended, hereafter the "Great Mall Plan"); and

WHEREAS, pursuant to Health and Safety Code Section 33344.5, Milpitas Redevelopment Agency ("Agency") staff and consultants have prepared a Preliminary Report (the "Preliminary Report") which describes and analyzes economic conditions in Project Area No. 1 and the Great Mall Project Area, the financial resources and projected revenue available to carry out redevelopment activities in the project areas, and the proposed merger of the project areas and amendment of the redevelopment plans; and

WHEREAS, Agency staff and consultants have prepared proposed plan amendments that would effectuate a merger of Project Area No. 1 and the Great Mall Project Area (the "Plan Amendments"); and

WHEREAS, pursuant to Health and Safety Code Section 33346, the Agency is required to transmit the proposed Plan Amendments to the Planning Commission for review of consistency with the General Plan; and

WHEREAS, pursuant to Health and Safety Code Section 33344.5, the Agency is required to transmit the Preliminary Report and the proposed Plan Amendments to affected taxing entities.